Austria .... Sch 20	Indonesia .. Rp 3100	Philippines .. Pes 20
Bahrain .. Din 0.650	Israel ..... NS 3.50	Portugal .... Esc 100
Belgium ..... BFr 45	Italy ...... L 1500	S. Arabia .... Rls 6.00
Canada ..... C$1.00	Japan Y250	Singapore .... S$ 4.10
Cyprus ..... C£0.75	Jordan ..... Fils 500	Spain .... Pta 125
Denmark .... DKr 8.00	Kuwait ..... Fils 500	Sri Lanka .... Rup 30
Egypt .... E£1.00	Lebanon . £1 25.00	Sweden .. Skr 7.00
Finland .. Fmk 8.50	Luxembourg . LFr 45	Switzerland SFr 2.20
France ... FFr. 8.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1,375
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 360
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,069 Tuesday October 28 1986 D 8523 B

Yankees in tough fight for southern vote, Page 6

World news

40,000 S. African miners go on strike

Almost 40,000 black miners went on strike in support of wage demands at three gold mines managed by Gold Fields of South Africa. The strikes began late on Sunday night at the Doornfontein, Deelkraal and Kloof mines just hours before the all-black National Union of Mineworkers was expected to accept improved pay offers by four other mining houses.

The NUM said yesterday police arrested eight union officials. Mine security forces shot strikers with rubber bullets and used tear gas to disperse groups of workers. Page 4

Goods train bombed

The Dublin-Belfast rail link was blocked after a bomb derailed several wagons of a goods train. The outlawed Irish Republican Army, fighting to end British rule in Northern Ireland, claimed responsibility.

Gulf security talks

Foreign ministers from the Arab states in the Gulf region discussed ways of strengthening military co-operation to deal with the dangers of a spillover of the Iran-Iraq war.

Soviet takeover

Soviet troops took control of security in the Afghan capital of Kabul after an explosion in the commercial section of the Soviet embassy.

Contra training snub

The Central American countries of El Salvador, Honduras and Costa Rica objected to the US using their territory to train Nicaraguan Contra rebels trying to overthrow the leftist Sandinista Government. Page 6

Soviet divers killed

Two Soviet divers were killed searching for survivors from the liner Admiral Nakhimov which sank in the Black Sea with the loss of 398 people, Pravda said.

Arms control pact

West Germany and France agreed at the start of a two-day summit in Frankfurt to strive for a common stance on arms control issues following the US-Soviet meeting in Iceland.

Japan islands move

The Japanese Government demanded that the Soviet Union return seven occupied islands north of Hokkaido as a precondition for the proposed visit of Soviet leader Mikhail Gorbachev. Page 22

Election aid charge

West Germany's opposition Social Democratic Party alleged big German industrial and banking organisations were giving unfair support to the Christian Democrat-led Government in their advertising campaigns leading up to the January election. Page 2

Swedish strikes

Swedish public-sector unions were due to begin a fresh wave of strikes to back pay claims. The action is aimed at hitting the country's exports, imports and transport of goods. Page 3

Maputo burial

Mozambique buried 17 officials killed with President Samora Machel in an aircraft crash in South Africa eight days ago. Page 4

Guerrilla jailed

An Israeli military court jailed for life the blind leader of a Palestinian guerrilla band found guilty of killing British tourist Paul Appleby and an Israeli businesswoman in Arab east Jerusalem.

Aid for West Bank

A new deal to provide EEC aid to Palestinians living in the Israeli-occupied West Bank and Gaza strip was approved by EEC foreign Ministers.

Business summary

Union Carbide back in profit

UNION CARBIDE of the US, which underwent restructuring after the Bhopal gas disaster, returned to the black in the third quarter with the help of a $252m gain from disposals. Page 23

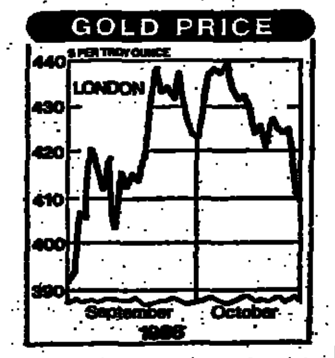
WALL STREET: The Dow Jones industrial average closed up 9.56 at 1,841.21. Page 46

LONDON: Equities moved forward in moderate trading after initial confusion in the market on the first day of Big Bang, or deregulation. The FT Ordinary index climbed 5.0 to 1,256.6. Page 46

TOKYO: Extremely thin trading left the Nikkei average 6 points lower at 16,157.80. Page 46

DOLLAR closed in New York at DM 2.0435, SFr 1.6905, FFr 6.6745 and Y160.50. It advanced in London to DM 2.0465 (DM 2.0320); FFr 6.6875 (FFr 6.6425), to SFr 1.6925 (SFr 1.6730) but fell to Y160.70 (Y161.35). On Bank of England figures the dollar's index was unchanged at 111.5. Page 39

STERLING closed in New York at $1.4065. It lost 60 points in London to close at $1.4070. It also fell to Y226 (Y228) but rose to DM 2.88 (DM 2.87); FFr 9.41 (FFr 9.3850) and SFr 2.3825 (SFr 2.3650). The pound's exchange rate index fell 0.1 to 67.8. Page 39



GOLD continued its fall in prices suffered at the end of last week, closing $1.35 per troy ounce lower in London at $409.75. However, trading was steady in a narrow range for most of the day. In New York, the Comex December settlement was $410.30. Page 38

EEC member states gave their blessing to the deal agreed last August between the European Commission and US trade negotiators on a tit-for-tat trade war over pasta and citrus products. Page 5

BRITAIN last night prepared to make a fresh protest to France over trade in lamb after a French customs move to step up inspections of UK lamb shipments. Page 38

BOEING, the US aerospace group, has boosted profits for the third quarter on stronger sales and higher interest income. The group earned $157m, or $1.01 a share, compared with $132m, or 85 cents, in the same period last year.

DAIMLER-BENZ, the big West German industrial group best known for its range of high-quality cars, confirmed that sales for 1986 would rise strongly. Page 23

HARGREAVES, the UK fuel processing and transport company, ended resistance to Coalite's £98m ($140m) bid after discovering that its Belgian coal operation had overstated the value of stocks. Page 30

MOULINEX, French kitchen equipment manufacturer, reported sharply higher loss of FFr 199.8m ($30m) in the first half against a loss of FFr 17.1m in the same period last year. Page 24

DOME PETROLEUM, troubled Canadian energy group, said 70 per cent of holders of European debt issues had agreed to suspend payments. Page 26

STEYR-DAIMLER-PUCH, the Austrian vehicles and weapons group, expects this year's losses to exceed the 1985 deficit of Sch 618m ($44m). Page 23

SOME prices in the FT share information service have not been updated for this edition because of problems with the Stock Exchange computer system.

Big Bang crash as systems overload

BY CLIVE WOLMAN AND FIONA THOMPSON IN LONDON

THE FIRST critical hours of yesterday's Big Bang, the most radical set of reforms in the 200-year history of the London Stock Exchange, ended in embarrassment when the centrepiece of the new structure, the computerised price and dealing information system, went out of action.

Investors and market-makers anxious to transact their first deals of the week were greeted by a message in red on their screens saying that the Stock Exchange Automated Quotations system (Seaq) was suspended.

The cause of the collapse, according to the stock exchange, was the unexpectedly large volume of requests to see the pages of its Topic screen service, which shows all the prices of securities recorded by Seaq. The Topic system, which has been operating for six years, can handle a maximum of 12,000 requests a minute.

It was also a trying day for the profusion of champagne bars and chop houses, purveyors of that great institution, the City of London lunch.

A magnum's throw from the stock exchange, a distraught champagne bar manager, Mr Antonio di Popolo, complained that Big Bang was doing him no good at all.

"Normally we get 200 to 300 customers in here at lunch. It's 3pm and we've had 30."

At Simpson's Tavern grill room on Corn Hill, established in 1757 and still going strong, the usual sea of pin stripes was only half its usual size. At Bill Bentley's restaurant and the Oyster Bar in Old Broad Street both minor lunchtime landmarks in the City the mood was distinctly bullish, however.

"The boys in the City have gone through more than this before," said Mr Giovanni Galasso, the manager with admirable British phlegm. "My gut feeling is that things will be back to normal soon."

This was not obvious yesterday morning when London's financial revolution was launched.

The system was opened at 7.30 am and ran smoothly until 8.25, when there was an upsurge in requests from investors and dealers who were settling down at their desks.

The meters in the stock exchange's computer rooms which record the usage of the system rose rapidly minute by minute until at 8.29 the figure of 100 per cent of capacity appeared. The bells rang and the system failed.

"We were hit by a tidal wave of requests," said Mr George Hayter, director of the exchange's information services. He said that curiosity was the main reason so many people had tried to call up the Topic pages on their screens. According to Sir Nicholas Goodison, exchange chairman: "If you put a new monkey or dodo in the zoo, people will queue up to see it."

The system was restored by 9.40 and by 10 am, most of the market-makers had managed to input their prices and partial order was restored. However, drastic action had to be taken by the exchange to prevent the system collapsing again under the weight of another wave of requests.

Many users had their access to Seaq information severely restricted, no price quotations were made available from Nasdaq, the US electronic stock market, and one of the systems for disseminating prices in government securities was shut off.

Another difficulty was that more than a third of the purchases and sales of shares were not reported to the exchange in the five minutes allowed. Several of the market-makers were suffering from "creaky office procedures," according to exchange officials.

NMW, the largest securities processing bureaus, was plagued by a power failure which caused difficulties for the settlement of deals.

The technical hitches led to a greater-than-expected volume of transactions being carried out in the traditional, pre-Big Bang way, through a face-to-face deal on the stock exchange floor, recorded with the help of pens and chalk. Smith

Continued on Page 22

Details and analysis, Page 14; Lex, Page 22

EEC resists British calls against Syria

BY QUENTIN PEEL IN LUXEMBOURG

BRITAIN failed last night to persuade its EEC partners to agree on a package of measures against Syria in the wake of the British decision to sever diplomatic relations with Damascus.

The only action agreed by 11 of the 12 member states – excluding Greece – was to agree not to accredit any of the Syrian diplomats expelled from London in the capitals in the rest of the Community.

The deal was described by Sir Geoffrey Howe, the EEC chairman and the British Foreign Secretary, as "falling short of what we would have wanted."

Sir Geoffrey set out a range of actions he wanted from the Community to back the British action based on "conclusive proof" of Syria's involvement in the attempted blowing-up of the Israeli aircraft at Heathrow airport last April.

His proposals included the cancellation of EEC aid, a ban on arms sales, no official visits, mutual agreement not to accredit the diplomats expelled from Britain, limits on the size of Syrian embassies in the EEC and tighter security for Syrian Arab Airlines, according to officials in the wings of the meeting.

The discussions were held in highly restricted session – only the ministers were present for most of the time – with Sir Geoffrey clearly seeking to put his colleagues under pressure "to match their words with deeds."

Sir Geoffrey wanted "to give the ministers every chance to come up with a reaction which will be credible in the European Community and in the wider world," according to a British official.

There was none the less widespread resentment at what was seen as a British effort, from the privileged position of the EEC presidency, to rush the rest of the member states into actions they had not had a chance to consider.

The absence of the three Foreign Ministers from France, Italy and West Germany, who were represented by their deputies, also made it unlikely that the plan would win outright support from those key member states, without a chance for reflection.

Sir Geoffrey suspended the talks in the early evening to give the Ministers a chance to contact their capitals, but one national spokesman said this was "to inform them, not to reach any decision."

Predictably, the most hostile reaction came, from Mr Theodoros Pangalos, the Greek Minister for European Affairs, who wanted a condemnation of terrorism but "hands off Syria."

Paul Betts in Paris adds: Mr Jacques Chirac, the French conservative Prime Minister, is coming under increasing pressure from part of his right-wing majority to show firm support and solidarity with Britain over relations with Syria.

Former President Valéry Giscard d'Estaing said that the Government "must show its solidarity with Britain" just as it should also have done with Washington last April at the time of the US air raid against Libya.

He said, that France must avoid making any move which would be interpreted as a sign of French support towards Syria. This clearly included the sale of arms, he added.

There have been widespread reports in France that Paris was on the point of finalising a FFr 2bn arms deal with Syria, but these have been denied by Mr Denis Baudouin, the Prime Minister's spokesman.

Lebanese truce, Page 4

Brussels agrees poor region funds

By Will Dawkins in Brussels

THE EEC has set aside Ecu 1.18bn ($1.21bn) to spend over the next five years on improving telecommunications and exploiting alternative energy in the Community's poorest regions.

European foreign ministers meeting in Luxembourg yesterday agreed the funding for the two projects, which will benefit both Northern Ireland and the Irish Republic, Greece, Portugal, Corsica, parts of Spain, the Mezzogiorno region of Italy, and French overseas territories.

The largest project, known as Star, has been allotted Ecu 780m to boost the development of advanced telecommunications in areas that would otherwise be left out of such advances.

The Ecu 400m balance goes to the so-called Valoren programme to make use of energy sources of limited general importance but which nevertheless have a strong local impact.

Star and Valoren will both be financed from the European Regional Development Fund, of which they will together represent less than 10 per cent during their lives. The fund will contribute 55 per cent of the cost of projects covered by the programme.

Italy is the biggest beneficiary, with an allotment of Ecu 375m for the two projects, followed by Spain with Ecu 315m. Northern Ireland and France come at the bottom of the list with Ecu 40m each.

These are the first schemes to be passed by a new qualified majority voting system for regional fund applications. Formerly, such projects required unanimous support from all 12 member-states. On this occasion, West Germany, which gets nothing from the proposals, and France abstained.

Continued on Page 22

Telefonica set to pull out of deal with CGE-ITT

BY TOM BURNS IN MADRID

TELEFONICA, the Spanish telephone monopoly, said last night that it was likely to withdraw its application for a 10 per cent stake in the joint telecommunications venture being put together by Compagnie Générale d'Electricité of France and ITT of the US.

The Spanish company said that talks with CGE and ITT had stalled and were close to breaking point. Mr Roberto Velazquez, a Telefonica executive, said there was "considerable pessimism" about the outcome. Telefonica was likely to pull out unless there was a change in the French company's attitude to the proposed deal.

The chief stumbling block has proved to be the future of Standard Electrica, the Spanish subsidiary of ITT in which Telefonica has a 20 per cent stake, and of Marconi, its sister company.

Both companies are undergoing costly financial reconstruction operations, for which CGE has warned that the new Franco-American joint venture will not shoulder the cost.

CGE, which will take the leading role in the new joint venture, has also made clear to Telefonica that neither Standard Electrica nor Marconi will play any significant part in the future production strategy of the CGE-ITT group.

When CGE and ITT unveiled their ambitious plans to form a worldwide, European-controlled telecommunications group last July, Telefonica expressed interest in joining it as a minority partner leading Spanish investment in the project worth some $300m. However, Mr Velazquez said this decision was conditional on genuine participation in the programme by the Spanish telecommunications sector.

A CGE-Telefonica working group was set up last month to examine details of the proposed Spanish contribution. After the working group's most recent meeting in Madrid last Friday, Mr Velazquez said there was "virtually no hope" for a successful outcome.

A second working group, which has been meeting in Paris to plan the overall organisational structure of the Franco-American company, including Telefonica's place in it, has also made little more headway.

Telefonica executives have previously expressed unhappiness about the lack of "Europeanism" in the CGE-ITT venture. Mr Javier Monzon de Caceres, the Spanish company's deputy general manager, said last month that, if Société Générale de Belgique (with a proposed 10 per cent stake) were the only other European participant, Telefonica would reconsider its position.

A further problem in the Spanish view lies in Telefonica's dual status as both telephone utility and telecommunications manufacturer in its home market.

The slender remaining hope for Spanish participation appears to rest with the forthcoming visit to Madrid next month of Mr Jacques Chirac, the French Prime Minister. The future of the European telecommunications industry is expected to figure on the agenda of his talks with Mr Felipe Gonzalez, the Spanish Prime Minister.

Retirement savings incentives launched in France

By Paul Betts in Paris

MR Edouard Balladur, the French Finance and Economy Minister, yesterday unveiled proposals for a new form of tax-free retirement account aimed at stimulating domestic savings and easing the longer-term burdens of the country's social security and pension system.

The new retirement accounts, known as Plan d'Epargne Retraite and modelled on the US system of Individual Retirement Accounts, will offer savers fiscal incentives to invest in schemes run by French banks, insurance companies and savings banks.

The French Government hopes to launch the new savings accounts by the middle of next year and is targeting 2.5m French individuals as potential participants.

Under the French system, individuals will be able to deduct up to FFr 6,000 ($900) a year from their taxable income while couples will be able to deduct FFr 12,000 if they invest in a new retirement account. Income and capital gains from retirement accounts will be exempt of taxes.

To encourage savers to continue investing in these new accounts and to encourage them to work beyond the French minimum retirement age of 60, the Government is offering a 5 per cent bonus if the account is kept until the age of 63 and a 10 per cent bonus if it is held until 65. Penalties will be imposed for early withdrawal of funds from the new accounts.

Although the new fiscal incentives will cost the Government about FFr 5bn a year in budgetary losses, the new accounts are designed to help ease the expected longer-term strains on the French social security system caused by the country's minimum retirement age of 60.

Coupled with the new retirement account, Mr Balladur also announced an increase in the income tax deductions individuals can make on revenues from French shares and bonds to stimulate further the French financial markets and encourage share ownership by small investors.

Individuals will now be able to deduct from their taxable income annual revenues totalling FFr 8,000 from French shares and bonds instead of FFr 5,000 under the previous system. For couples, the ceiling has been raised from FFr 10,000 to FFr 16,000 a year.

The Government is also offering discounts of 5 per cent on the price of shares to employees of the state groups to be privatised to encourage them to acquire a holding in their companies.

Lonrho in oil joint venture

BY LUCY KELLAWAY IN LONDON

LONRHO, the UK publishing to mining multinational, yesterday announced details of a joint venture with Mr Robert Anderson, former chairman of Atlantic Richfield, into oil production in the US.

The new company has agreed to buy $180m US oil and gas assets, making it one of the most significant players to emerge since the US independent oil industry went into recession two years ago.

The move was Lonrho's first important step into the oil industry. The company said yesterday it believed that the oil cycle had hit the bottom and that the joint venture might form the basis for further expansion in the oil industry.

The oil properties, which are in the mid-continent and Rocky Mountains, were bought in a single deal from one of the big US oil companies, Lonrho said. Although it declined to name the company, industry sources in the US indentified the vendor as Atlantic Richfield, which has already announced a programme of asset sales and which earlier this month sold a package of interests to Amoco. The implied price paid under the deal per barrel of oil has not been disclosed.

The new company will be owned equally by Lonrho and Mr Anderson who will become joint president with Mr Tiny Rowland, chief executive of Lonrho. However, Mr Anderson, regarded as one of the great old men of the US oil industry and who presided over the discovery by Atlantic Richfield of Prudhoe Bay, the largest oil field in North America, will be solely responsible for running the company. Mr Anderson said yesterday that opportunities in the US oil and gas industry had never been better.

Mr Rowland and Mr Anderson have been associated since Lonhro bought the Observer newspaper from Atlantic Richfield in 1981. The purchase was secured in a private deal between the two men and after it was concluded Mr Anderson stayed on as chairman of the newspaper.

The aim of the new group will be to buy producing reserves in the US that are already capable of generating cash flow. Lonrho said that it did not plan to get involved in risky wildcat drilling.

Lonrho's only other oil interest is a stake in an exploration project in the Bahamas operated by Shell. In this it has also been involved with Atlantic Richfield, which is one of the other partners in the venture.

Although the recession in the US oil industry has been more severe than in the UK, sales of assets on a large scale have so far been rare.

UK refinery redundancies, Page 19; US oil group results, Page 22

CONTENTS

EUROPEAN NEWS

UNITED in a quest for peace, Pope John Paul II and leaders of the world's 11 major non-Christian religions—from African animists to Japanese Shintoists—began nine hours of fasting and prayer at Assisi, Italy, yesterday, AP reports.

Leaders from around the world have issued statements praising the effort and several warring parties and insurgent groups have accepted the Pope's appeal to observe a 24-hour truce.

In one incident, a Franciscan friar (above) was led away still holding two doves he had tried to present to the Pope outside the basilica.

The Pope said he chose Assisi for the day of prayer because St Francis, who lived and died in the hill town, is "known and revered by so many throughout the world as a symbol of peace and brotherhood."

Italian authorities deployed some 1,500 police to protect the participants and maintain order in the town, bustling with 24,000 residents and 20,000 pilgrims, tourists and journalists.

Italian deputies unite in row over pay rise

BY JOHN WYLES IN ROME

ANGRY, HURT, feeling themselves misunderstood, a majority of the 630 members of the Lower House of the Italian parliament have united across party lines in a bitter row with the Italian press and public opinion.

"We should put a stop to these journalists. They should leave the country. They write what they like, but the time will come when we shall fight them," is only slightly more intemperate than many of the threats parliamentarians have hurled at the Italian press over the last few days.

Only a minority, mostly on the independent left, have seemed at all sensitive to a genuine public outcry about their decision to pay themselves an extra L500,000 (£190) a month and to allow all 630 to hire a secretary of their choice—at a net salary of L2,000 a month.

To many Italians, this seems an outrageous example of nest-lining by a privileged group whose total salary and benefits are comfortably in excess of £4,000 a month.

The man in the street is not satisfied by defensive claims that Italian parliamentarians are not over-paid by Continental European standards.

What has most stung the politicians is the general conclusion that the pay rise is meant to offset a so-called health tax against which the self-employed are up in arms. One searches in vain, however, for clear denial that there is no such link.

In receipt of hundreds of phone calls from outraged citizens, the press is quite deliberately drawing blood. Some columnists have targetted Ms Leonilde Iotti, the veteran Communist president of the Lower House, whose steering committee quietly waved through the pay rise and the secretaries.

More than 100 of her colleagues have quickly rallied round with a letter of support praising her courage in the face of "the animosity and bitter hatred of many journalists for the political class."

European electronics market 'to grow 7.5%'

By David Thomas

THE WESTERN European electronics market will grow by 7.5 per cent next year, but growth after that will be slower mainly because of a slow down in computer sales.

These are some of the main results of the latest survey of the European electronics market carried out each year by Benn Electronics Publications.

The survey expects the total market for electronic equipment and components to reach $113bn (£78bn) next year compared with $105bn this year and $97bn in 1985, all at constant 1985 prices.

The driving force continues to be sales of data processing equipment. However, as companies demands for products such as computer systems, peripherals and word processors become satisfied, growth in sales of data processing equipment will slow to less than 10 per cent a year from 1988, compared with more than 13 between 1985 and 1987.

This will cut overall growth in the European electronics market to about 6 per cent a year after 1987, reflecting a slow down which has already happened in the US.

Sales of consumer electronic equipment are expected to grow by 2.9 per cent this year compared with a drop of more than 2.5 per cent last year.

This was due to higher consumer spending, particularly in West Germany, and a stabilisation of prices for goods such as video recorders and colour TVs. The survey forecasts 1 per cent a year growth in consumer electronics to the end of the decade.

Outputs of consumer electronic equipment are also expected to grow by 4.4 per cent a year between 1985 and 1987, partly because of the influx of Japanese companies.

The survey says that the Western European trade gap in electronics fell to $10.7bn last year, down from the record $11.1bn in 1984, and expects that the trade gap should continue to close.

The Yearbook of West European Electronics, 1987, Benn Electronic Publications, PO Box 28, Luton, LU20BD, price $550.

A parochial squabble has highlighted deep political tensions, **Tim Dickson** reports

Belgian language row may be far from over

"THERE'S Jose Happart," someone said after a crucial Parliamentary session pointing at an individual who on closer inspection turned out to be the much-publicised Belgian mayor's twin brother, Jean-Marie. "You'd have thought that one Happart was quite enough," she added, irreverently, realising her mistake.

Many in Brussels might echo that sentiment at the moment, for despite the uneasy party truce called last week, most observers sense that the bitter and politically-damaging language dispute linked to the Happart name is far from over.

Mr Wilfried Martens, the Belgian Prime Minister, and Mr Joseph Michel, his Interior Minister, successfully appealed for a "period of reflection" in the Chamber of Representatives 10 days ago and have bought themselves at least a few days respite, and possibly even a few months.

Sooner or later, however, the implications of what is on the surface a highly parochial squabble will come back to threaten the fragile harmony of the country's Flemish and French-speaking Christian Democrat ruling coalition.

The enormous volume of domestic media coverage of the dispute appears to be out of all proportion to the faintly ridiculous problem of a Francophone mayor who refuses to brush up his Flemish. But despite the self-conscious embarrassment of the Belgian press and the ridicule of most of the international media, the issue conceals important and deeply felt political and economic tensions between the region of Flanders in the north and Wallonia to the south.

Mr Happart is mayor of Les Fourons in the Flemish province of Limburg. He was sacked from his post after a ruling of the Council of State on the grounds that he has consistently refused to learn the official local language, Flemish.

In common with many other local residents, two-thirds of whom apparently prefer to speak French, he has long believed that the area should never have been part of Limburg and should be returned to the French-speaking province of Liege immediately.

Boycotting the language, which he was required under the constitution to speak in his official capacity, was his way of making the point.

In an effort to placate the French-speaking population the Council of State judgment was quickly referred to the Cour de Cassation (Supreme Court). But the most important twist in the story came when the Aldermen of Les Fourons resigned their posts and elected Mr Happort as First Alderman in the subsequent poll—a move deliberately calculated to reinstate him as de facto Mayor in the absence of a new appointee.

Mr Jose Happart watches the debate in the Belgian parliament arising from his refusal to learn Flemish

The Flemish parties vigorously argue that someone who has been sacked as Mayor cannot be acting Mayor. The Francophones respond that Mr Happart has been democratically elected and that the Cour de Cassation could still overturn the original anti-Happart decision. The events of last week have not solved the fundamental disagreement over who should be mayor of Les Fourons.

Mr Michel assured Parliament that there would be no political interference in the matter, that any complaints would be examined and dealt with "normally," and that the Governor of Limburg province "must do his duty as laid down by the law."

Once the Governor has been formally notified of the alderman elections, he has 40 days in which to respond to a Flemish complaint and either suspend or annul the appointment.

If, as is widely anticipated, he chooses to dismiss Mr Happart, he has several days in which to notify him of the decision. Mr Happart then has 30 days in which to lodge an appeal with Mr Michel, and the ball will then be back in the Government's court.

By most reckonings the Government therefore has perhaps a couple of months in which to find a solution. At the moment, however, nobody in Brussels seems to be putting forward any new ideas.

SPD sparks advertising storm

BY DAVID MARSH IN BONN

WEST GERMANY'S Opposition Social Democratic Party (SPD) has sparked off controversy by alleging that big German industry and banking organisations are giving the Christian Democrat (CDU)-led government unfair support in advertising campaigns leading up to the January elections.

The SPD claims that West German big business has committed an overall total of DM 100m (£34m) in advertising indirectly backing up the Government.

The allegations were dismissed yesterday by spokesmen for the banks and electricity utilities, which have both been mounting large press campaigns. Government officials said the SPD attack was a ploy to try to explain the party's poor showing in the polls.

A spokesman for the West German Banking Association, whose latest large newspaper advertisements feature a plea for monetary stability "so that D-marks do not turn into pfennigs," said the association had been advertising regularly since 1970 and its latest campaign had nothing to do with the elections.

The association spent a total of around DM 5-DM 10m a year in all newspaper advertising, he said. Its latest campaign, which compares West German price rises of 6.3 per cent in 1981 with the present zero inflation, should in no way be construed as "intervention" in the electoral campaign, he added.

It was a coincidence that 1981 was the last full year of an SPD-led government in Bonn, the spokesman went on. More importantly, it was the year in which the German inflation rate peaked.

A spokesman for the Federation of Electricity Utilities in Frankfurt, whose members, together with Kraftwerk Union, the German power reactor company, have been mounting a big campaign in favour of nuclear energy, said the SPD allegations were "electioneering propaganda."

The utilities were carrying out public information work following the Chernobyl nuclear mishap, he said.

The SPD have come out in favour of a gradual phasing out of nuclear power over the next 10 years. But the spokesman pointed out that Mr Helmut Schmidt, the former SPD Chancellor, had called on industry in general to make a greater effort to explain its policies through public relations work.

Although banks and industry deny that their campaigns have any direct relations to the election campaign, government officials do not try to pretend that the sympathies of big business are not firmly on the side of the CDU-led coalition government.

One government official commented yesterday: "The banks want the sort of economic policy (based on price stability) that many others are aiming for too. . . therefore they are making a corresponding advertising campaign."

Declaration by dissidents 'over-estimated in West'

BY LESLIE COLITT IN BUDAPEST

A MEMBER of the Hungarian opposition which drew up the first joint declaration by East European dissidents in four countries said the significance of the document was "over-estimated" in the West.

Mr Ferenc Koeszeg, editor of an underground publication in Budapest, said opponents of the East European governments wanted to strengthen their ties. But there were signs the state security forces would not allow a repetition of their recent concerted action.

The joint declaration was issued last weekend by more than 100 dissidents in Hungary, Poland, Czechoslovakia and East Germany for the 30th anniversary last Thursday of the outbreak of the Hungarian uprising.

They pledged to co-operate to achieve the independence, pluralist democracy and neutrality of their countries.

The declaration was hailed by some Westerners as opening a new dimension in East European dissident activities.

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Bonn seeks joint line with Paris on troop cuts

BY DAVID MARSH IN BONN

WEST GERMANY yesterday stepped up efforts to forge a joint line with France over reducing conventional forces in Europe in the wake of the Reykjavik superpower meeting on nuclear disarmament.

Speaking on the first day of a two-day meeting between the French and German governments in Frankfurt, Mr Helmut Kohl, the West German Chancellor, also voiced optimism about the chances of building on the Iceland talks to reach a nuclear disarmament deal between the US and the Soviet Union.

The chances of a breakthrough in reducing intermediate-range nuclear missiles in Europe—although held up in Reykjavik by discord over President Reagan's Strategic Defence Initiative research programme—have caused increased concern in Bonn over the Soviet Union's superiority in conventional forces in Europe.

Speaking at a lunch in Frankfurt in honour of President François Mitterrand and Mr Jacques Chirac, the French Prime Minister, Mr Kohl said the US and Soviet Union went further in Reykjavik with disarmament proposals than ever before.

But he said the forthcoming troop reduction talks in Vienna assumed extra importance in the light of the Iceland summit. The Vienna discussions, due to start at the beginning of November, are part of general East-West negotiations on security and co-operation following the detente agreements of Helsinki.

West Germany and France needed to co-ordinate their positions on the Vienna talks as closely as possible, Mr Kohl said.

The Frankfurt gathering is due to decide efforts to improve cultural and educational links between the two countries.

The French and West German foreign ministers yesterday signed an accord to achieve better harmony in both countries' professional training schemes.

Mr Kohl also used the occasion of separate meetings with Mr Mitterrand and Mr Chirac yesterday to brief the French on his talks with President Reagan in Washington last week.

Hungary's hard currency deficit up

By Leslie Colitt in Budapest

HUNGARY'S CURRENT account deficit in hard currency shot up to $942m (£664m) in the first seven months of the year, helping to boost its net debt by $2.4bn to $7.4bn.

Disclosing the "disappointing" performance, Mr Ede Bako, a managing director of the Hungarian National Bank, said it was mainly a result of "outside factors."

This year's growth in national income — GNP minus services, he said — will be about 1 to 1½ per cent, compared with a target of about 2.5 per cent.

Hard currency imports soared 20 per cent in the first nine months to $3.5bn because of a continued deterioration in Hungary's terms of trade, as well as a lifting of import curbs.

Exports rose only 6 per cent to $2.9bn and were influenced by lower prices for Hungarian agricultural exports and a drought.

Mr Baco said the outlook was for a current account deficit in hard currency of about $900m by the end of the year. This would be twice that of last year.

The trade deficit, he said, was likely to decline to about $250m because of the customary fourth quarter rise in exports.

Hungary had planned for a $550m trade surplus this year, after a hard currency surplus of $300m last year.

The large current account deficit, $350m more than in the same period last year, meant Hungary has to export 30 per cent of its goods and services to service its debt this year.

Mr Baco, however, said the Government had ample breathing-space. Its hard currency reserves, bolstered by fresh Western loans this year, covered more than nine months of import requirements.

The Hungarian banker said that the current account deficit could be reduced to $300m next year, and be brought back into surplus by 1989 at the latest.

He noted that the deterioration in Hungary's terms of trade will cost it up to $250m this year, while the cost of the drought could amount to $200m.

He estimated that last year's liberalisation of imports—urged by the International Monetary Fund to modernise Hungarian industry — cost about $100m. Another $100m of the trade deficit was accounted for by added imports of consumer goods.

The Hungarian Government had the "political will" to restrict consumption in order to regain equilibrium in the payments balance, Mr Baco said. Import restrictions were reintroduced last April, despite what he noted were the "polite recommendations" of the IMF.

W. German surplus

West Germany's current account surplus provisionally widened to DM 6.8bn ($3.4bn) in September from a downwards revised DM 4.1bn in August, a Federal Statistics Office official said, Reuter reports.

The trade surplus widened to DM 10.4bn in September from a slightly downwards revised DM 8.1bn the month before.

The Statistics Office had previously estimated the August current account surplus at DM 5bn and the August trade surplus at DM 8.3bn.

French aim to build 60 private prisons

BY PAUL BETTS IN PARIS

NOT CONTENT with its programme to privatise the country's major state industrial and financial groups, the French conservative Government is now embarking on an ambitious and novel programme to build between 60 and 70 private prisons between now and 1990.

Mr Albin Chalandon, the Justice Minister and former chairman of the Elf Aquitaine oil group, is now putting the financial touches to his private prison bill which he hopes will be approved by parliament before the end of this year.

The Justice Minister has argued in recent weeks that there was an increasingly urgent need to construct new prison facilities in France and modernise existing ones, because the situation in the French prison system had become, in his words "explosif."

The prison system is suffering increasingly from chronic overpopulation. French prisons, which have a capacity in theory to house 32,500 inmates, are bulging over with more than 47,000 inmates. Moreover, the prison population is increasing at an average rate of between 6,000-7,000 inmates a year.

To cope with this problem, Justice Ministry officials indicated yesterday that the Government might be forced to propose releasing between 5,000-8,000 inmates a the end of this year by granting them a collective pardon.

Although the Ministry later claimed that it was not officially studying proposals for granting such a pardon, such a move would clearly ease the prisons' short-term problems. The former Socialist adiministration also granted a pardon to prisoners in July last year in an effort to ease the problems of overcrowding in the prison system.

However, the French judicial and penal authorities say that such measures can hardly resolve the long-term needs of the country's prison system and that the construction of new facilities has become urgent.

Mr Chalandon's target is to accommodate up to 25,000 new inmates between now and 1990 in new privately built and managed prisons. At the same time, he wants to create 10,000 more places in the public prison system.

Mr Chalandon believes that the private prison plan will cost far less than an entirely public programme of new prison construction. At present, the cost of building new accommodation in the public prison system is calculated at FFr 400,000 (£4,400) per inmate.

France's need to construct new prison facilities has grown more urgent because the situation in the system has become "explosif," says Mr Albin Chalandon, Justice Minister

Under Mr Chalandon's proposals, the Government will offer land to private contractors to build and subsequently manage the new private prisons. These are expected to be able to house between 200 to 450 inmates each.

The Government will retain overall control of the private prisons, but the private contractors would manage them on the basis of an 18-year renewable contract. Private guards would also be hired, although they would have previously been trained by the state.

French parliamentarians have already visited private prisons in the U Sto see how the system works there. The government has also received a number of American consultants to discuss the management of the private prisons and anxious to offer their services.

However, several French construction, catering and hotel service groups have also expressed considerable interest in the programme involving investments of FFr 1bn-FFr 2bn.

Although Mr Chalandon hopes to push through Parliament his private prisons bill before the end of this year, the project could be delayed by the Constitutional Council and the Council of State, the two senior judicial bodies which will also have to rule on the government's proposals.

At the same time, the Finance and Economy Ministry is concerned over the size of Mr Chalandon's project and would like to scale it down.

Although the private prisons are expected to be less expensive for the government, they will involve a cost of about FFr 300 a day for each prisoner

This daily sum would be paid by the state to the private contractor or manager of the prison. The FFr 300 a day for each prisoner includes FFr 114 for depreciation of the buildings, FFr 112 for the cost of prison staff and FFr 60 for the upkeep of the inmate, according to one of the French groups interested in bidding for a private prison management contract.

The prison unions have also expressed concern over the government private prison plans.

They are worried over the impact the private prisons could have on the jobs of state prison guards, and appear generally opposed to the idea

Swedish unions plan to step up strike action

BY SARA WEBB, STOCKHOLM CORRESPONDENT

SWEDISH public sector unions were last night planning to step up their four-week-long campaign of industrial action with a fresh wave of strikes due to begin today.

Their intention is to hit the country's exports, imports, and transport of goods, and to stop power production at two nuclear reactors.

Last-ditch talks were taking place last night to try to avoid a further deterioration in the third public sector strike to have hit Sweden in the past 18 months.

TCO-S, the union confederation which represents about 270,000 white-collar state employees, said it would go ahead with its threat to call out 7,000 members and stop another 25,000 from working overtime if talks with the state employers' organisation, SAV, failed to come up with a satisfactory settlement.

The industrial action will involve customs officials, workers at the Ringhals nuclear power station south of Gothenburg, railway staff on the goods trains, teachers, and post office workers.

Already KTK, the most militant union confederation, has 30,000 municipal white-collar workers out on strike, including nurses, administrative staff, and teachers, another 200,000 members are refusing to work overtime.

The two key issues at the heart of the dispute are the size of the pay increase, and parity with the private sector.

The employers have said they cannot offer more than an 8.46 per cent increase over the two years 1986-87 whereas the unions are pressing for 9 per cent.

Meanwhile, the unions cannot agree among themselves as to how the increase would be divided among their members, and have made no headway in their demands for parity with the private sector.

Geneva treaty violations 'grave'

AN OFFICIAL report to the International Red Cross conference yesterday told of a long list of violations of humanitarian law in a rising number of armed conflicts throughout the world, AP reports from Geneva.

The report cited grave failures to comply with the Geneva Conventions on the protection of prisoners and civilian populations even in countries receiving aid from the humanitarian agency.

The report was delivered by Mr Alexandre Hay, president of the all-Swiss International Committee of the Red Cross, which monitors observance of the conventions and acts as neutral intermediary between warring parties.

Mr Hay said disregard of the conventions has become "more and more common" in recent years. "Certain governments or other parties to the conflicts have regulary or even systematically violated not only the provisions of the Geneva Conventions but even elementary rules of humanity," he said.

The report named five states party to the conventions in which Red Cross delegates are completely barred from visiting captured combatants to make sure that their treatment conforms with humanitarian standards: Iran, Afghanistan, Cambodia, Angola and Mozambique.

Specific comments in Mr Hay's report on humanitarian problems in about half of the 23 international and civil conflicts included:

- Gulf: Iraqi observance of Geneva conventions "has steadily improved over the past few years but Iran has halted Red Cross protection activities in its prisoner of war camps since October 1984.
- Angola: The Government has not yet accepted Red Cross offers of services to visit prisoners captured during clashes inside the country.
- Cambodia: Despite repeated approaches, the Committee "has so far not been allowed to carry out its mandate and provide protection for prisoners inside Cambodia."

Airbus awaits report on jet bulkhead 'failure'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

Airbus Industrie, the European airliner manufacturing group, was still awaiting late yesterday a preliminary report from its own technical team in Osaka, Japan, studying the reported failure of a rear-pressure bulkhead in a Thai International A-300-600 airliner flying from Manila to Osaka over the weekend.

The aircraft was able to continue flying and to land in Osaka, but 30 passengers and six cabin crew were injured, out of 230 on board, of whom 11 passengers and four crew are still in hospital.

Thus although the reported failure was not catastrophic, leading to destruction of the aircraft, it was sufficiently serious to cause considerable concern to Airbus Industrie and Thai International and to justify a major inspection.

Until the results of that technical investigation become available, there is no question of any Airbus aircraft being grounded anywhere in the world.

Only if the investigation shows any significant problems in the A-300-600 variant, will such a measure be considered.

France to pursue nuclear power despite Chernobyl

NUCLEAR power will be France's energy of the future despite the accident last April at Chernobyl, a senior official of France's state-run electricity company said yesterday, AP reports.

Mr Remy Carle, Eléctricité de France's chief development engineer, said the disaster at the Soviet nuclear installation did not force any changes in the construction or testing of France's controversial plant at Cattenom, near the borders with West Germany and Luxembourg.

The first of four 1,300 Mw units at Cattenom was started up on Friday and should be ready to connect to the national power network late in November, Mr Carle said.

Protests against the plant, while muted in France, have been intense in the neighbouring countries, especially since the Chernobyl disaster near Kiev on April 26.

"An accident of the type and size of Chernobyl is impossible in France," Mr Carle said.

S African mines hit as 40,000 blacks strike

BY JIM JONES IN JOHANNESBURG

ALMOST 40,000 black miners have gone on strike in support of wage demands at three gold mines managed by Gold Fields of South Africa, the mining house controlled by Consolidated Gold Fields, based in London.

The strikes began late on Sunday at the Doornfontein, Deelkraal and Kloof mines only hours before the all-black National Union of Mineworkers was expected to signify its acceptance of improved pay offers by four other mining houses.

Mr Marcel Golding, a union official, said yesterday that police had arrested eight union officials and workers involved in the strike and that mine security forces had shot at strikers with rubber bullets and had used tear gas to disperse groups of workers.

Police denied involvement but said that Gold Fields' security officials had arrested union officials and strikers for alleged intimidation at the East Driefontein and West Driefontein mines and that tear gas and rubber bullets had been used to break up demonstrations. Mine buildings were set alight at Doornfontein property.

Relations between black miners and the mine managers have been tense since Gold Fields refused to join four other mining houses in renewed wage talks and mediation procedures.

The Gold Fields mines gave black workers increases ranging from 15 per cent to 20 per cent this year but would not join Anglo American, JCI, Gencor and Rand Mines in further wage talks with the union. These four groups finally agreed to increase black gold miners wages by between 19.5 per cent and 23.5 per cent after the union had called a strike ballot of its 235,000 members.

● All of the 26 men injured in Sunday morning's accident at the Randfontein estates gold mine had been brought to the surface by early yesterday. However, Mr Eric Brereton, managing director of Shaft Sinkers, the company sinking the Randfontein No 3A ventilation shaft, said yesterday that the bodies of three dead miners had still to be recovered. Six black miners were killed early on Sunday when hoisting machinery went out of control.

Hong Kong exports rise by 27%

By David Dodwell in Hong Kong

HONG KONG'S domestic exports rose to HK$12.94bn (£1.25bn) last month, 27 per cent above the figure of HK$10.08bn a year ago. This HK$10.98bn lends support to predictions of strong export-led growth this year.

The figures show domestic exports for the first nine months of the year at HK$108.28bn—14.2 per cent up in nominal terms on exports of HK$94.9bn a year ago.

The recovery from virtual stagnation in 1985 comes almost entirely from an improvement in trade competitiveness. This is due to a steep fall in the international exchange value of the Hong Kong dollar, which is linked to the US dollar. Strongest gains have come in European markets.

Re-exports surged 34.3 per cent in the month, from HK$8.28bn in September last year to HK$11.13bn. This reverses a trend earlier in the year and suggests that China, which accounts for most re-export trade, is having some success in boosting exports.

Re-exports for the year so far total HK$85.26bn, up 8.5 per cent on last year. This takes total exports to HK$193.74bn.

Imports also surged in September, by 28.8 per cent to HK$18.21bn. Imports for the first nine months amount to HK$194.44bn—15.1 per cent up on 1985.

Wong Sulong in Kuala Lumpur analyses an austerity budget

Reining in the Malaysian big spenders

THE MALAYSIAN Government has adopted a three-pronged strategy in its 1987 budget to confront the problems of a zero growth economy, rapidly contracting revenues and rising expenditure.

It involves a further reduction of the Government's role in the economy along with the promotion of exports and reduction of imports to keep the balance of payments within manageable limits, and the creation of an atmosphere conducive for business activity.

For the third successive year, the Government is making deep cuts in its budget to rein in spending that threatens to run out of control. This year, for the first time, revenue is not enough even to cover operating expenditure and the budget deficit is expected to rise to M$8.2bn (£2.2bn) in 1987 from M$5.7bn last year.

At the same time, economic growth is expected to fall from an annual rate of around 7.5 per cent during the 1970s and early 1980s to 1 or 2 per cent at best over the next few years.

The Government is putting the blame on the collapse in prices of its commodity exports—oil, rubber, tin, palm oil and timber—and the weak global recovery. But bankers say it must take part of the blame for its economic mismanagement.

Dr Mahathir Mohamad, the Prime Minister, told Malaysians they have to accept lower standards of living, and the budget introduced last week contained a 6 per cent cut in spending for 1987. Operating expenditure will take up M$20.7bn out of the M$26.77bn total, with the remaining M$6.07bn for development.

MALAYSIA'S NATIONAL PRODUCT (M$bn)

	1985	1986	1987
Gross National Product (in constant 1978 prices)	52.7	52.9	52.9
Consumption expenditure (public)	9.4	10	10
Consumption expenditure (private)	29.2	26.3	26.9
Fixed capital formation (public)	9.48	8.92	6.35
Fixed capital formation (private)	8.4	7.29	7.48
Exports	32	35.8	37.6
Imports	30	29.8	30.5
Current account deficit	1.79	3.2	3
Gross national savings	19.5	14.3	15.2

FEDERAL BUDGET (M$bn)

	1985	1986	1987
Revenue	21.1	19.1	18
Operating expenditure	20	20.5	20.7
Development expenditure (new)	6.7	7.5	5.5
Deficit	5.7	8.8	8.2
Domestic borrowing (new)	3.5	4.5	n.a.
Foreign borrowing (new)	0.95	1.79	n.a.
Foreign debt service ratio	6.6	7.9	n.a.

Source: Ministry of Finance, Economic Report 1986/87

Development spending has been slashed by 24 per cent, with housing, health, and other social and economic services taking the biggest cuts. Defence and internal security spending which has already been severely trimmed in the past years, was left untouched.

Agriculture, a sector that has been neglected in recent years, received a 20 per cent increase, in part an expression of the Government's gratitude for the solid support given by the rural voters in the general elections last August.

Now that it has been returned to power with a solid mandate, the Government can be tough, particularly to its bloated, pampered but influential civil service. Many of these employees' perks and allowances, such as cheap housing and car loans, will be trimmed. The size of the service, now 850,000 strong, will be reduced and new employees will not be entitled to pensions but will contribute to a superannuation fund.

These measures will save the Government a few hundred million ringgit a year. With stringent control over operating expenditure, the Government hopes to balance the operating spending of the budget by 1989.

Mr Daim Zainuddin, the Finance Minister, announced a stepped-up privatisation programme, and offered to lease the loss-making railways to the private sector for a nominal sum of one ringgit. He announced no major tax rises, partly because of the recession, and partly because Malaysia is already one of the highest taxed developing countries.

Instead, the Government announced measures to close loopholes in the tax system, such as introducing a compulsory monthly income tax deduction scheme, and an end to tax-free status of some of the wealthy clubs and social organisations.

Several concessions were made to private business. They were not substantial, but taking into account the new investment incentives and liberal equity rules announced earlier, they represent amplification of the Government's efforts to encourage the private sector to take the lead in the economy.

Exporters will get higher income tax rebates, and "pioneer" status is to be extended from five to 10 years for new companies "on a selective basis." To encourage foreign financing for large projects, the 20 per cent withholding tax on interest will be abolished for loans exceeding M$250m.

Of significance is the relaxation of the cumbersome Industrial Co-ordination Act. It will now apply to manufacturing concerns with shareholders' funds above M$2.5m and/or 75 workers.

"This will free thousands of backyard factories from the overview of the ICA, and is most welcome," said a spokesman of the Associated Chinese Chambers of Commerce and Industry, who said many such factories had refrained from expanding

Truce takes hold in S Lebanon

A SYRIAN-MEDIATED truce began to take hold in south Lebanon yesterday as Sunni Moslem militiamen were deployed to separate Palestinian guerrillas from their Shia Moslem foes, witnesses told Reuter in Sidon.

Police said fierce rocket and machine-gun fire at the Ain al-Hilweh refugee camp near Sidon marred a ceasefire declared overnight but the clashes subsided into sporadic shooting by mid-day. One man was killed and two wounded.

Witnesses said 60 Sunni fighters of the local Popular Liberation Army (PLA) set up checkpoints on roads near Miyeh Miyeh camp, south-east of Sidon, to keep apart Palestinian and Shia Amal militiamen after a weekend of heavy fighting.

The truce came after at least 24 people were killed and more than 70 wounded when Palestinians thrust out of Ain al-Hilweh and Miyeh Miyeh into Amal-held villages inland.

S Korea predicts foreign debt fall

SOUTH KOREA expects its annual foreign debt to fall for the first time this year, officials at the Government's Economic Planning Board said yesterday, Reuter reports from Seoul.

Foreign debt fell last month to $46.3bn (£32.37bn), down from the $47.4bn high recorded in July. "The figure is likely to fall further to below $46bn by the end of 1986," one official said.

Reserve Bank official faces police investigation

BY OUR JOHANNESBURG CORRESPONDENT

DR JAN LOMBARD, a deputy governor of the South African Reserve Bank, has voluntarily relinquished his foreign exchange control responsibilities while bank officials, the Finance Ministry and police investigate alleged exchange control contraventions.

Rapport, an Afrikaans newspaper, claims Dr Lombard's son, also called Jan, was involved in illegal round-tripping transactions to bring the equivalent of about R22.5m into South Africa through the financial rand market and to externalise it in commercial rands.

Round - tripping, whereby money is brought into South Africa in financial rands currently worth less than US$0.20 and immediately externalised on commercial rands which are worth slightly less than US0.45, is prohibited under exchange control regulations re-introduced in September last year.

Earlier this year, African Bank, a black-owned banking company, lost its foreign exchange licence after its executives had been caught in round-tripping deals. Police are still investigating.

Police and the authorities are investigating allegations that Dr Lombard's son tried to persuade his father to expedite foreign exchange applications for his companies and that he was involved in the round-tripping deals. Dr Lombard has denounced the allegations as scandalous and denies involvement in any of the transactions.

Machel air crash victims buried

BY VICTOR MALLET IN MAPUTO

SEVENTEEN MEMBERS of Mozambican President Samora Machel's entourage, killed with him in an air crash in South Africa more than a week ago, were buried in an emotional ceremony in Maputo yesterday.

A guard of honour fired volleys of rifle shots in the air at the cemetery as relatives wept and members of the Politburo paid their respects.

The leaders of the black Southern African "frontline" states and other dignitaries from around the world, including Mr Oliver Tambo of the African National Congress and Mr Joe Slovo of the South African Communist Party, have started arriving for Mr Machel's state funeral today.

The frontline states are likely to hold an informal meeting after the burial to discuss the tense situation in Southern Africa, and Western visitors such as Mrs Lynda Chalker, UK junior minister, will want to make contact with influential Africans also attending the funeral.

At a news conference in Maputo yesterday, a survivor of the crash accused South African police of ignoring the cries of the wounded and sifting through the wreckage instead for documents.

"They were not helping those who were screaming. They were just collecting documents. This I saw with my own eyes," said Mr Almeida Pedro, an official photographer.

Mr Pedro and another survivor, Mr Daniel Cuna, a presidential bodyguard, both contradicted accounts in the official Mozambican press which have spoken of an explosion in the aircraft before the crash.

Mr Pedro said that he was dozing and Mr Cuna said that he was reading when the aircraft crashed at night in a remote part of South Africa near the Mozambican border.

Some frontline states have accused South Africa or right-wing rebels of causing the crash, but Mozambique has made no direct allegations so far.

Suharto to stand for re-election

BY JOHN MURRAY BROWN IN JAKARTA

PRESIDENT SUHARTO of Indonesia is to stand for re-election in 1988, a contest which most observers agree he is certain to win.

The 63-year-old leader, who has ruled Indonesia since 1965 following an abortive coup, pledged his continued commitment to the development of Indonesia, which has enjoyed unprecedented rates of economic growth since the 1970s on the back of the oil boom. However, with the collapse of prices for oil, which accounts for 70 per cent of export revenues and 55 per cent of state budget revenues, Indonesia's 165m people look set for a sustained period of hardship.

Last month the Government announced a 45 per cent devaluation of the currency, the rupiah, to offset a projected fall in oil revenues to $6.62bn from $12.66bn last year. Foreign investment has also fallen in the first half of this year by 60 per cent according to recent figures, reflecting in part the general downturn in world economic activity.

However, economists believe much could be done to improve the investment climate by dismantling tariff and more non-tariff barriers, the main cause of Indonesia's uncompetitive and high-cost economy.

Internationally, President Suharto suffered a further blow when India announced it would back the South American candidate ahead of Indonesia to succeed Zimbabwe as next chairman of the Non-Aligned Movement. The president has long aspired to lead the movement.

There were also signs of the Government's increased unease ahead of next year's national elections. Last month nine communists, all of whom had languished in prison since the failed coup in 1965, were executed in an apparent warning to would-be troublemakers in advance of the elections.

Last week, Sinar Harapan, the country's second largest circulation paper, was shut down after claiming the Government was to dismantle the non-tariff barriers, namely the system of licensing approved traders of key commodities. Three provincial papers were officially reprimanded for running the same story

WORLD TRADE NEWS

EEC issues formal challenge to US chip deal with Japan

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Economic Community yesterday formally challenged the US-Japanese agreement on semiconductors under the General Agreement on Tariffs and Trade (Gatt).

The pact had more than bilateral significance: it could have an important impact on prices in third markets, Mr Jean-Pierre Derisbourg, deputy head of the EEC Commission's team in Geneva, told the Gatt council.

European manufacturers were especially concerned about the understanding on access to the Japanese market for US semiconductors believed to be contained in unpublished parts of the agreement.

Although there had been widespread coverage of the deal in the press, little had been done to meet Gatt's requirement of transparency, the EEC complained. The full text of the US-Japan agreement has not been filed with Gatt.

Under the agreement, reached at the end of July, Japanese manufacturers will raise their prices for some kinds of computer memory chips. The deal also assures the US and other countries of a larger share of the Japanese semiconductor market.

The US forced through the accord by threatening to take unilateral action against the Japanese for allegedly dumping microchips in the US at prices below production costs.

The EEC Commission believes that the pact may violate Gatt's anti-dumping code and European manufacturers fear it will lead to a joint carving up of the world semiconductor market by Japan and the US.

But yesterday Mr Michael Samuels, deputy US trade representative, said European countries would benefit rather than suffer from the pact. It had been the result of years of efforts to enhance the ability of foreign producers to compete in the Japanese market and to prevent dumping by the Japanese.

Japan gave an assurance that the measures contained in the pact were intended to improve access to its market for all foreign manufacturers. The recent Japanese Government decision to monitor the costs and pricing of exports would prevent dumping, Mr Minoru Endo, the Japanese representative, said.

US insistence on having intellectual property rights and trade-related investment handled separately prevented the 92 countries in the General Agreement on Tariffs and Trade (Gatt) from agreeing yesterday how to organise new multilateral trade negotiations, dubbed the Uruguay Round.

A compromise offer by India to accept separate treatment for the two "new" Gatt issues in return for a special negotiating group on textiles has been refused by the US.

Before it can proceed with its complaint in Gatt the EEC will have to seek a solution in direct consultations with the US and Japan. Yesterday it won backing for its stand from several countries, including Canada, Sweden, South Korea, Singapore, Brazil and Australia.

In the Gatt council yesterday the US was criticised by Canada for some recently imposed import charges and Japan accepted the appointment of a Gatt panel to examine a US complaint that it is unfairly restricting imports of some agricultural goods.

Canada told the Gatt council that a US tax on oil imports imposed under a law signed on October 17 by President Ronald Reagan was discriminatory.

The Canadian complaint evoked comments from several countries not concerned with the oil business which saw the US tax as a breach of the recent standstill undertaking by trade ministers at the meeting in Punta del Este, Uruguay, at which they launched new multilateral trade negotiations.

Standstill obliges all Gatt members not to impose new trade restrictions incompatible with Gatt while the negotiations are taking place.

Ivo Dawnay on a softening of information technology policy

Brazil cools conflict with US

TRADE tensions between Brazil and the US, most visible over information technology, appear to be receding following a series of placatory signals from Brasilia.

Over recent weeks, the Brazilian authorities have taken a number of steps clearly aimed to defuse mounting pressure within the US for tough retaliatory measures against the country's so-called market reserve policies which the US claims are protectionist.

Under the Brazilian's informatics law computers, computer software and all products with computer chips are protected.

These moves have included:

● A decision to grant approval to IBM Do Brasil to manufacture large storage capacity discs of up to five gigabytes, despite plans by Brazilian rivals to enter the same market.

● The personal intervention by President Jose Sarney in an internal government row with the insistence that full copyright protection be given to imported foreign software—a key issue for the US.

● Approval this month for a company linking Gerdau, the diversified Brazilian group with IBM, to compete for Government contracts in the data processing services market as a "national" contractor.

But despite these developments there is also concern that a strong nationalist resurgence in the current election campaign could force Brazil back into a mood of confrontation with its largest trading partner.

US officials in Brazil are continuing to monitor closely the decisions of Government agencies over information technology policy. But there is a clear feeling in Brasilia that real efforts are now being made by the Special Informatics Secretariat (SEI) — the body responsible for defending the national market — to, at least, accommodate some US complaints.

It remains unclear, however, whether sufficient progress is being made to persuade the US to defer indefinitely its threat to retaliate against Brazil. President Ronald Reagan has ordered that no action should be taken until the end of the year.

"These are all useful signs, but a lot still needs to be done," one US trade officials said this week. As if to emphasise this view, Washington has pushed ahead with complaint proceedings under the General Agreement on Tariffs and Trade (Gatt) — a warning shot that was badly received in the highly nationalistic Brazilian Press.

So too was an entirely unrelated decision by the US International Trade Commission last week to impose a provisional 8.54 per cent anti-dumping tariff on Brazilian orange juice—am easure provoked by complaints from Florida producers over Brazil's 50 per cent share of the American market.

Despite two decidedly combative satellite news conferences with the Brazilian media by Mr Clayton Yeutter, the US Trade Representative, Brazilian officials have been attempting to damp down the strong streak of outrage that pervades much reporting of trade conflicts with Washington.

In a valedictory interview, Mr Sergio Correa da Costa, the country's outgoing ambassador to the US, emphasised that both sides were in sight of an amicable solution to the current problems. But, while underlining President Sarney's preference for dialogue, he added: "There are also forces that, for ideological reasons or other motives, are interested in a confrontation with the US."

Those forces—often a curious alliance of the Brazilian left with their old enemies, the militarist right—are held to be deeply entrenched in the civil service, particularly in the SEI itself. Furthermore, they are winning unprecedented prominence at present in the final month's run-up to state and congressional elections, due on November 15.

President Sarney: preference for dialogue

The change in mood in the Sarney Administration — inspired perhaps by the unexpectedly sober atmosphere of the President's recent state visit to the US—has allowed the usually cowed opponents to the market reserve policy to state their case.

They argue that Brazilian policy prevents top companies getting access to essential new technology simply to allow less sophisticated domestic producers to learn to invent the wheel.

As the highly respected economist, Prof Mario Henrique Simonsen wrote scathingly recently: "Taken to its ultimate conclusion, it (the policy) will oblige us to create a wholly local mathematics in which a Brazilian will have to rediscover the theory of Pythagoras—a Greek who has long subjected us to foreign ideas."

More immediately worrying for Brazil are the possible consequences that US retaliation could have. The country enjoys a $4.25bn trade surplus with its northern neighbour, making confrontation an unacceptably costly option.

Regardless of these considerations, the argument that the market reserve policy has created a $2bn-a-year industry from scratch also has some powerful and articulate advocates. The question now for Brazil is not whether to abandon the policy, but simply how to manage it in a way that makes the rules clearer, less arbitrarily imposed and more palatable to the Americans.

A second, more disturbing issue is whether or not the forthcoming constituent assembly will support the extension of the reserve policy to other sectors. Several election candidates are already arguing for a similar reserve for the chemicals industry.

Euphoria over the return to democracy and the current economic boom may inspire those who equate trade barriers with patriotism to force some highly provocative clauses into the new constitution.

Many, life Prof Simonsen, fear that a xenophobic tide could undo the delicate progress of recent weeks and lead the two countries back on to a dangerous course of confrontation. That could have dire consequences for parallel talks on investment and debt.

Philips forges US link for compact disc service

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, and R. R. Donnelley and Sons, the largest printing company in the US, have launched a 50-50 joint venture to provide production services to publishers wanting to use compact disc - interactive (CD-I) technology.

The venture, called Optimage Interactive Services, is aimed at exploiting the rapid development of the two-way use of compact discs for information and entertainment, especially in the home. CD-I allows the user to select pictures, sound, data and text from the information that is optically stored and read by a laser on the compact disc.

Philips expects the market for CD-I to surge to more than $100m by 1990, depending on how fast publishers turn to optical media for producing works such as encyclopedias and dictionaries. Optimage Interactive Services is aimed at promoting the growth of CD-I software in preparation for Philips' introduction of a CD-I player next year.

Earlier this month Philips and its Polygram subsidiary launched a new company called European Interactive Media to produce software for the CD-I system. The Dutch company and Sony of Japan recently agreed on technical standards for the system which they hope will be adopted by the industry and promote faster development.

EEC agrees to deal on pasta, citrus

By Quentin Peel in Luxembourg

THE 12 EEC member states yesterday finally gave their blessing to a deal agreed last August between the European Commission and US trade negotiators on a tit-for-tat trade war over pasta and citrus products.

The three leading citrus producers in the Community – Italy, Spain and Greece – dropped their objections to the deal in return for assurances that their own trade would not suffer.

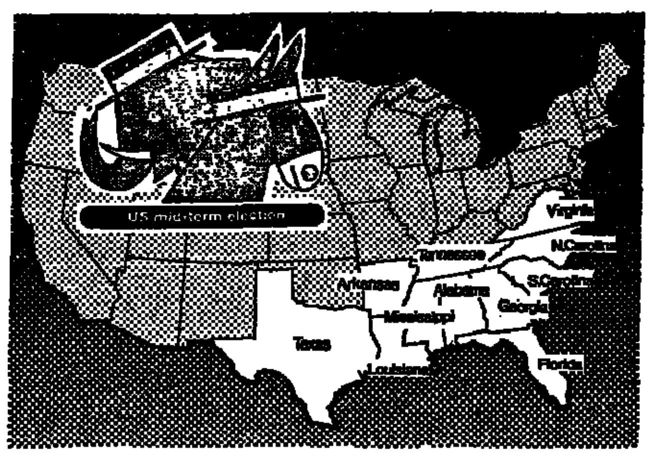
At the same time the EEC foreign ministers gave their blessing to a Community complaint against Canada, lodged last week with the General Agreement on Tariffs and Trade (Gatt), over the imposition of new countervailing duties on Canadian pasta imports.

Failure by the member states to ratify the pasta-citrus agreement had become an embarrassing irritation in the continuing trade tension between Brussels and Washington.

In the end, the deal has not been modified in any way.

Stewart Fleming on a Republican drive in a traditional Democrat area

Yankees fight for southern vote



WHEN Democratic and Republican Party strategists sit down to analyse the results of next week's US mid-term elections, the south of the country will be the focus of the most intense scrutiny.

The 11 states of the old confederacy, stretching in an arc from Virginia in the east to Texas in the west, are the front line in the struggle for political advantage, not only this year, but also in the Presidential election in 1988 and beyond.

Recently, a volatile mixture of social, economic and political changes in the region has presented both parties with a challenge.

Partly as a result of President Ronald Reagan's personal popularity and conservative approach and partly because of internal Republican Party reforms, the once solidly Democratic south has been changing its profile.

Republicans won four Senate seats in 1980 and eight in the House of Representatives in 1984, making a total of 10 out of the 22 southern Senate seats but still only 73 of the 189 House seats today.

Should Mr Reagan's strong campaign in the region pay off and the party retain its gains, the Republicans' chances of keeping control of the Senate would be improved. Mr Reagan would also be able to claim that the voters are again endorsing his policies, laying the groundwork for the 1988 Presidential election.

Party officials suspect, however, that they would be unwise to bank on a breakthrough this year, even in states such as Georgia, where trends such as rapid urbanisation, the mushrooming of wealthy suburban enclaves around Atlanta, the immigration of Republican voters from other states and the divisions within the Democratic Party have helped their chances.

State Senator Paul Coverdale, chairman of the Georgia Republican Party, has no doubt that the party has made giant strides in terms of organisation and fund raising. Few Democrats would dispute his contention that "we are dramatically ahead in our ability to raise funds . . . (and) to get out the vote." But, he concedes, "we are a long way from having accomplished our goal."

Polls have consistently shown that white southern voters' allegiance to the Democratic Party is eroding. In 1980, for example, a New York Times/CBS News poll found that 52 per cent of white southern voters considered themselves Democrats, 19 per cent Republican and 29 per cent independent. This year 36 per cent identified themselves as Republican, 33 per cent as Democrats and 32 per cent as independent.

More worrying to Democrat strategists is the evidence that young white voters are even less inclined to see themselves as party loyalists. A Washington Post/ABC News poll earlier this year found that 70 per cent of white southern voters under the age of 26 identified themselves as Republicans compared with only 58 per cent nationally.

Based initially on antipathy towards the "Yankee" Republican President Abraham Lincoln, the transformation of much of the south into virtually a one-party democratic state was completed under President Franklin Roosevelt in the 1930s when he won the allegiance of black voters.

But in the past 20 years, Republicans have treasured a dream of success, starting with Senator Barry Goldwater who carried the south in 1964 in the face of the national landslide in favour of President Lyndon Johnson.

President Nixon also saw the region as fertile ground for the Republicans, not least because southern Democrats are conservative. In the past six years the party has begun to believe it could be on the verge of an historic realignment of the parties.

The Republicans remain baffled, however, about southern voters' behaviour. In spite of the evidence of growing support for the Republican Party nationally, in local elections southerners remain solidly Democratic. All but two of the 11 states have Democratic Governors and in state legislatures, Democrats outnumber Republicans by almost three to one. At lower levels the tendency is even more marked.

One explanation lies in the way in which Democratic candidates for national office support more conservative political philosophies than the party as a whole. A group of right-wing "boll weevil" Democrats have been President Reagan's most staunch supporters on fiscal, defence and foreign policy, for instance. Southern Democrats are actively seeking to move the party as a whole to the right, with some success.

The strength of the Democrats' southern base is also underpinned by a lingering suspicion that the Republicans are elitist and alien. Southerners doubt whether President Reagan's emphasis on private enterprise is justified in a region which has had to rely for decades on local government to promote economic development. The historic allegiance of the party of black voters has also not been eroded by the Republican Party's appeal, partly because the Democrats can often put up the best candidates for office.

The Democrats themselves are well aware that their southern coalition is under pressure. Officials in both parties are worried that as the Democratic Party moves to the centre and the Republican Party fails to recruit black voters, the region is becoming increasingly polarised along racial and economic lines.

Paula Hawkins . . . close race

Blacks in particular are beginning to feel that neither party is responsive to their needs. "Blacks are being left out of both political parties," says Senator Coverdale. "It's a massive problem."

The south is thus a political melting pot where old traditions are breaking down and new ones still forming. Republicans concede privately that they are also worried about the potentially divisive influence which the extreme religious right could have on their party.

The first test of Republican strength next week will be the fate of Senators Paula Hawkins in Florida, Mack Mattingly in Georgia and Jeremiah Denton in Alabama, all conservatives who first won election with the help of President Reagan in 1980 and face strong competition.

Strategists will also be watching the vote for the Governorship in Florida, where Mr Bob Martinez, a Republican hispanic, seems to have the edge, plus a score of elections for the House of Representatives where Republicans must defend the victories of the past six years and other local elections.

The outcome could have a profound impact, not only on the politics of the region, but also on the nation as a whole.

Call for reform of banking law in US

By William Hall in San Francisco

US BANKING laws must be changed to enable US banks to compete effectively in the rapidly growing global financial markets, a leading US bank regulator said yesterday.

Mr Robert Clarke, Comptroller of the Currency, told the annual convention of the American Bankers Association in San Francisco: "US banks operate under laws that contradict the end of the laws themselves. That end — that purpose — is the enhancement of the strength and stability of our banking system.

"Instead of making our banking system stronger, these laws make it weaker. These laws constrain US banks in the face of world competition, and thus they are a misapplication and abuse of our reason. For American banking to be preserved, these laws must be changed," he said.

His speech is the latest indication of the growing official concern of the US at the lack of progress in changing 50-year-old laws which hedge US banks with all sorts of restrictions and limit their ability to take on a growing number of international competitors. Mr Clarke specifically singled out yesterday's "Big Bang" in London as another sign of the "dizzying speed" with which the global financial markets were changing.

"I am concerned when only one US bank is among the world's largest ten. I am concerned that our banking structure is not equipped to meet the competition when a major Japanese bank can propose to become a partner in a major American securities firm—while American banks are severely limited in the types of securities activities in which they can engage here.

"I am concerned that our banking system is not equipped to meet the competition when an American bank can do things in London or Tokyo that it is prohibited from doing in the United States."

Mr Clarke said his concern—as a public official charged with maintaining the safety and soundness of the American banking system—was to ensure that "our banking structure enhances the international competitiveness of the US banks in the global arena."

Sarney bows to pressure for economic change

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT JOSE SARNEY of Brazil has finally conceded that his Government will launch a package of economic measures after national elections on November 15.

The decision comes after weeks of pressure from industry and economists for adjustments to the troubled Cruzado Plan, the anti-inflationary shock treatment for the economy introduced in February.

Until last week, both the president and Mr Dilson Funaro, Finance Minister, were insistent that no lifting of the plan's blanket price freeze was scheduled. Mr Sarney said he had no intention of authorising a fiscal package that would raise tax rates.

However, in a recent nationwide radio broadcast, he said some changes were necessary, but no measures would be taken to set the economy on a recessionary course.

Strains in the economy have been evident for months as a consumer boom resulting from higher disposable incomes and growing employment have left shortages of many products in shops. Meat, milk, paper and medicines are among the items that have disappeared from supermarkets, sometimes for several days.

With many sectors of industry working at full capacity, companies have complained of shortfalls in supplies of raw materials and intermediate products.

Lack of spare parts has left motor manufacturers with about 18,000 uncompleted cars and lost profits while unfulfilled demand for vehicles has lifted second-hand car prices above those for new models.

Government officials are understood to be working on a series of plans for the forthcoming adjustment. These are believed to include selective defreezing of key product prices and increases in the tariffs imposed on state sector companies, such as steelmakers, electricity suppliers and communications.

There is also pressure for tax measures and a squeeze on the public sector, as yet relatively untouched by the February plan. Economists are concerned that the consumer boom has drained financial resources that should be used to lift laggardly investment.

Earlier this month, the Government authorised a 1.8 per cent devaluation of the cruzado against the dollar and other currencies. The move was seen as the first positive sign of flexibility, provoked in part by a sharp deterioration in the trade surplus.

While this year Brazil hopes for record growth, the need for restraint is expected to lead to some slowdown in 1987.

US snubbed over Contra training

BY LIONEL BARBER IN WASHINGTON

THREE Central American countries — El Salvador, Honduras and Costa Rica — have objected to the US using their territory to train Nicaraguan Contra rebels trying to overthrow the leftist Sandinista Government.

The refusal by the three countries, which border Nicaragua, leaves the Reagan Administration with little option but to train the Contras in the US.

Such a move would raise public awareness about US involvement in the civil war in Nicaragua. The US is believed to be looking for remote sites to train the rebels, following Congressional approval of $100m of aid, the bulk of which will fund arms and ammunition.

Diplomats from the three Central American countries said in Washington yesterday that they had turned down a US request to use their territory for Contra training because they did not want to become embroiled in the war.

Both the White House and the Defence Department declined to comment yesterday on the snub delivered by the three Central American countries or on a report in the Washington Post that officials had tentatively decided to opt for training bases in the US.

Argentina tries to lay the ghost of military repression

Tim Coone reports from Buenos Aires on efforts to keep the armed forces out of politics

AFTER 20 years, Argentina's National Security Doctrine, which gave legal-backing to the Dirty War, the counter-insurgency campaign of the 1970s, and provided a pretext for the military takeover, is about to be consigned to the history books.

Last week, the Senate approved a text for a new defence law which specifically excludes the military from intervening in internal conflict.

After the coup in 1976, almost 9,000 people disappeared after being abducted by the military, police or para-military squads, mostly from their homes at night.

The military's objective was to eliminate two left-wing guerilla organisations, the Revolutionary People's Army and the Montoneros which in the early 1970s began military actions throughout the country. however, in the process, not only were the guerilla organisations annihilated, so was Argentina's democracy.

The National Security Doctrine had its roots in a law dating from 1966 and an earlier military coup, which gave the armed forces a pre-eminent role in Argentine politics.

Article 2 of the law says "interferences and substantial disturbances" to the vital interests of the state are sufficient to justify military intervention. The law linked intelligence gathering to national planning, sought to integrate internal, external, economic and defence policies with national security policy, and gave the armed forces sweeping powers to obtain information on the public from government bodies.

In the past year, the government's defence bill—aimed at taking the military out of politics—has struggled through the House of Deputies after delaying action from the right-wing, and finally emerged from the Senate last week.

The bill now stands every chance of becoming law. If it does, the 1966 National Security Law will be abolished. The new bill means many changes.

● National defence will be organised only to counter external threats.

● Military intelligence will be prohibited from gathering information on political organisations and will be restricted to gathering information of strategic military importance. It will be directly responsible to the Minister of Defence rather than the military high command.

● Members of the Senate and Chamber of Deputies are to join a reorganised National Defence Council, to give it greater civilian representation.

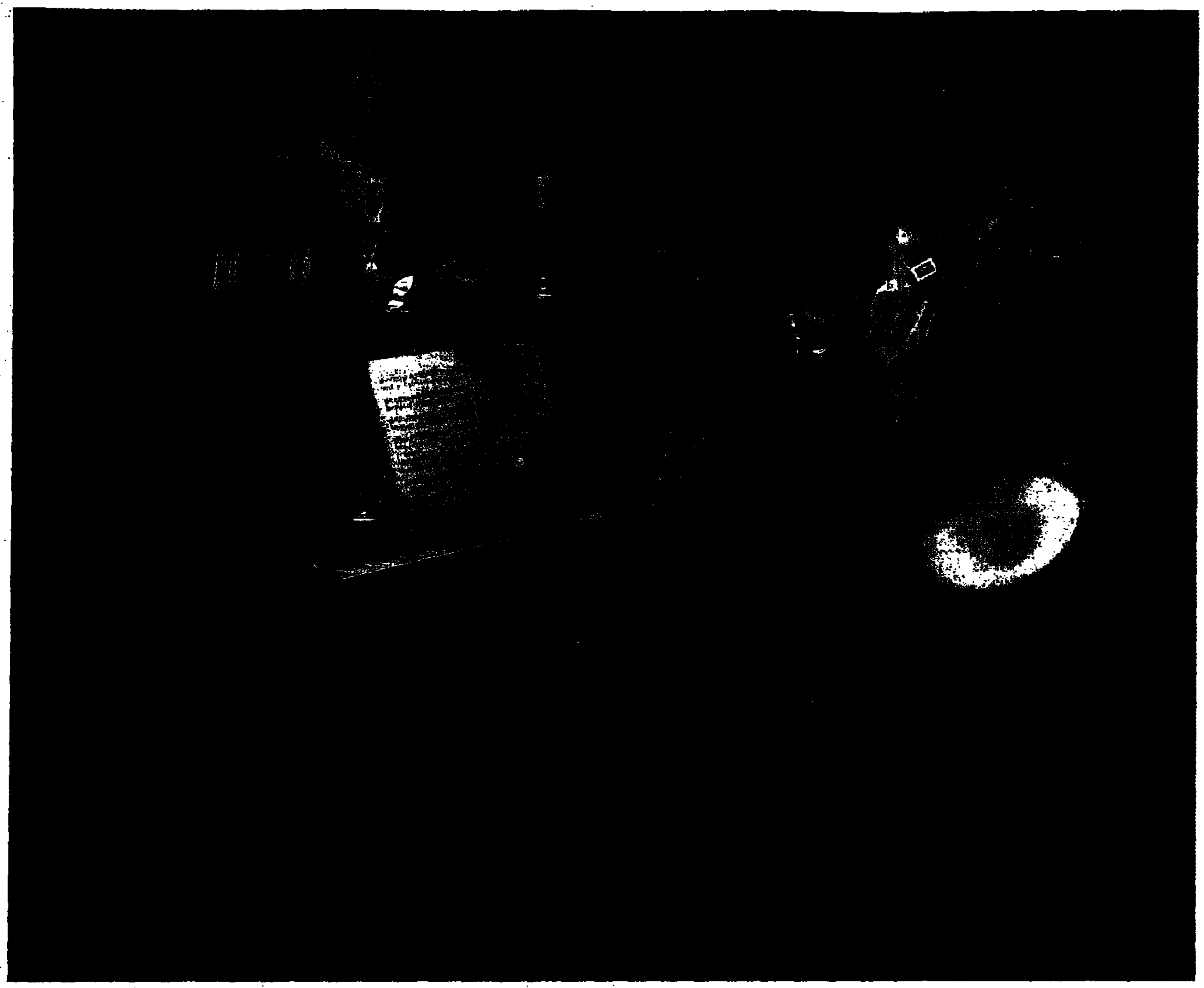
● Economic policy is to be formally separated from defence policy.

The bill has invited opposition from the armed forces, many of whose members still argue that they acted correctly during the Dirty War.

All three heads of the armed forces were invited to present their views to the Senate on the new bill, and all of them—most notably the Air Force head, Brigadier Horatio Crespo—argued for the National Security Doctrine. He said the military could be used against terrorism, drug-trafficking, organised crime, population decline in the interior of the country, and in action against "ideological infiltration" in the educational cultural spheres.

Many still favour such a prominent role for the military. But it is clearly the aim of President Alfonsin's government that such views should not prevail in a modern Argentina.

THE GLENLIVET – A SOURCE OF INSPIRATION



When people weren't drinking The Glenlivet, they were singing its praises.

Ordinary malt whiskies merely touch the lips.

But THE GLENLIVET® single malt whisky touches the soul.

Lauded in literature, verse, and music, in humour and philosophy, it has stirred the creative imagination of Scotsmen for generations.

One J. Scott Skinner was inspired enough to compose a whole song dedicated to THE GLENLIVET.

While his glass overflowed, his pen spilled lyrics:

SCOTT SKINNER'S *made anither tune,*
The very dirl o't reached the moon,
Till ilka lassie an' her loon
Commenced the dance fu' frisky, O!
The burden o' the sang was this–
"We never felt sic Lunar bliss;
Anither reel, an' syne a kiss,
Ower gude Glenlivet Whisky, O!"
Freemasons! to the Major drink–
We daurna speak, but we can wink,
An' heaven be thankit, we can think,
An' thinkin, feel richt frisky, O!
Lang may they thrive in stock an' store,
Balmenach, Craggan, an' Minmore.
An' I'll be up to ha'e a splore
In gran' Glenlivet Whisky, O!

Praise indeed for the 'Grandfather of all Scotch.'

But if THE GLENLIVET was music to Scott Skinner's ears, then to W.E. Aytoun it was nothing short of miraculous.

In the celebrated ballad 'The Massacre of Macpherson' Aytoun tells us that:

"Thairson had a son
Who married Noah's daughter
And nearly spoilt ta flood
By trinking up ta water.
Which he would have done -
I, at least, believe it -
Had ta mixture been
Only half Glenlivet."

Another Scottish writer went even further...

The Immortal Glenlivet.

Christopher North believed THE GLENLIVET held the secret of eternal life! In his famous series of sketches for Blackwood's Magazine in 1827, he quoted James Hogg, the Ettrick Shepherd:

Gie me the real Glenlivet, and I weel believe I could mak drinking toddy oot o' sea-water. The human mind never tires o' Glenlivet, any mair than o' caller air. If a body could just find oot the exac' proportion and quantity that ought to be drunk every day and keep to that, I verily trow that he might leeve for ever, without dying ava', and that doctors and kirkyards would go oot o' fashion.

Such eulogies quickly raised THE GLENLIVET to the legendary status it enjoys today.

Gow, alias Smith.

But when our founder's ancestor, John Gow, first distilled THE GLENLIVET in 1747, he had no idea how famous his whisky would become.

In fact, fame and fortune were the last things on his mind.

John Gow was actually seeking anonymity.

You see, he had fought and lost with Bonnie Prince Charlie and had to flee with his family for fear of his life.

He changed his name to Smith to baffle the English soldiers and retreated North to a remote Highland valley.

Lady Luck and Mother Nature.

As if to make up for Gow's misfortune on the battlefield of Culloden, Lady Luck guided him to a magical place.

A place where Mother Nature had assembled the perfect elements for making malt whisky.

There were rich crops of barley.
Fields carpeted with peat.
Soft Highland air.
And most precious of all, pure spring water from a source known as Josie's Well.

It was here beside Josie's Well that John Gow (alias Smith) began his new life as farmer and distiller.

THE GLENLIVET was born.

And it was out of this world.

No-one could explain why it was so special. It just was.

Perhaps it was the quality of the barley, harvested at the peak of ripeness.

Or the pure Highland water that it was steeped in.

Perhaps it was the way the peat dried out the malted barley.

Or maybe something wonderful happened as the gentle Highland air permeated through the oak casks while the whisky aged.

No-one could say because no-one knew. Not even John Smith. He was just thankful to have the four 'gifts of God' in such abundance and in such a mystical combination.

Famous, but infamous.

At first, John Smith distilled his beloved malt illegally, like all his friends and neighbours, refusing to hand over one penny in taxes.

He passionately believed in the Highlander's right to make his own dram, in his own home, without interference from the Government,

especially a Sassenach Government!

(Robert Burns put the Highlanders' contempt for the Revenue men in a nutshell. "Freedom and whisky gang thegither!")

But the word spread about John Smith's magnificent illicit dram. It stood apart from other malts, with its distinctive 'nose' and unique subtle taste. A smooth, mellow integration of peatiness, softness and sweetness.

Soon, THE GLENLIVET was the toast of gentlemen, lords and even a king. (George IV was said to drink 'nothing else.')

Such a whisky couldn't remain outside the law indefinitely. And so in 1824, at the ripe old age of 77, THE GLENLIVET distillery became a legal establishment.

Connoisseurs have been appreciating it and writing about it ever since. In St. Ronan's Well by Sir Walter Scott, the Captain praised THE GLENLIVET thus:

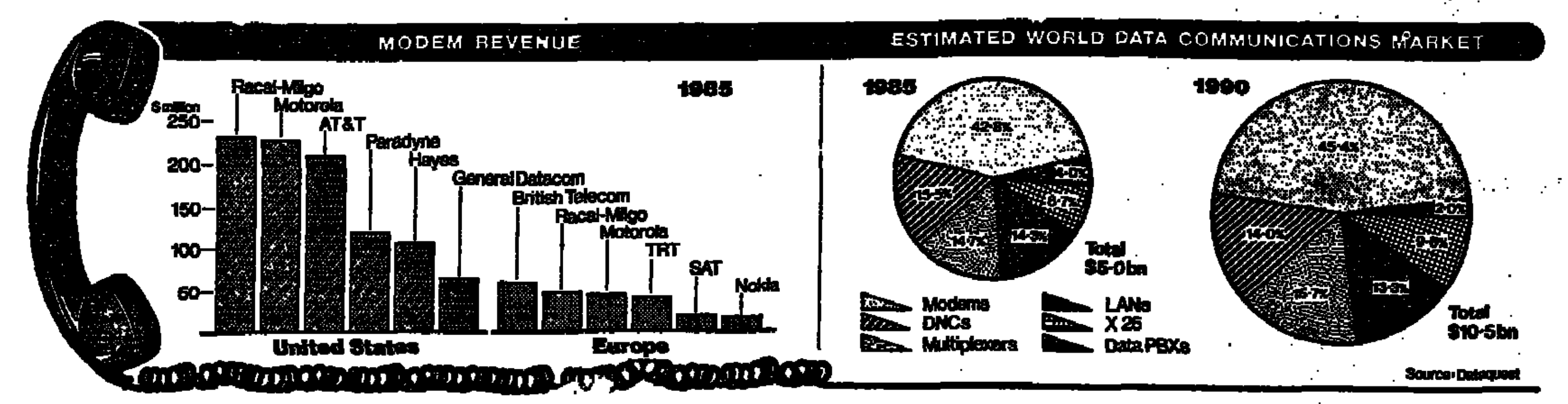
"By cot, it is the only liquor fit for a gentleman to drink in the morning, if he can have the good fortune to come by it you see"

There are other fine malts, of course.

But none with enough romance and character to have created such a song and dance as THE GLENLIVET.

Scotland's first malt whisky.

TECHNOLOGY



KEY: DNCs, data network control systems. LANs, local area networks. X25, packet switching equipment. PBXs, private branch exchanges

Indian summer in the life of the modem

Digital telephone networks will kill off these data conversion devices. But despite predictions of an early demise the market continues to boom, reports Jane Rippeteau

IN 1981, Roger Walton wrote a report on the modem market which predicted — he now recalls with a chuckle — that "it would die by 1986."

Today, Walton is in charge of marketing modems for the UK branch of one of the world's top suppliers, Motorola Inc of the US, giving him a key slice of a business that, despite his and others' predictions, is still booming. His company recently launched one of the most advanced machines on the market.

Modems are book-sized electronic devices that convert digital data to analog form and vice versa, making it possible for computers to "talk" to each other over the telephone network (see accompanying story).

Demand has soared—at times up to 20 per cent annually—powered by the expanding communications needs of large corporations. Today, modems account for over 40 per cent of the $5bn world data communications equipment market, according to the UK arm of the market research company Dataquest Inc. of San Jose, California. Dataquest predicts sales will exceed 45 per cent of a $10.5bn market by 1990.

The conundrum is this: The telephone system itself is gradually being converted to digital operation. Eventually, it will be the human voice that is converted to digital form (by tiny chips buried in the telephone handset), rather than data made analog. When that happens, modems will be out of a job.

Certainly, it was obvious five years ago that this could happen, and it has already begun to. Telephone operating companies are consistently replacing old analog lines with digital transmission and switching equipment. And they are creating special lines, not part of the public network, for business users.

"It was the advent of digital telephone lines that really scared people," says Peter John Stauvers, market research manager for Case Communications, a maker of modems and other data communications equipment. "Everybody thought the market would decline," he adds.

But users proved them wrong. In particular, the expanding needs of businesses to transmit data far exceeded the pace at which the telephone system is going digital. A few days ago in Turkey, for instance, Garanti Bank in Istanbul signed up for a $750,000 package of high-end modems to control a network linking 100 branches to its main computer centre, according to supplier Racal-Milgo.

Says Philip Corbishley, a strategic marketing manager at Racal-Milgo: "Digital networks could eventually kill off the modem, but you have to have digital networks available everywhere." Business users, who might be able to lease digital lines in one geographical area but not others, resist mixing their networks, he explains.

At the same time, sales of modems to individual users have boomed as prices dropped and performance improved. The falling price of electronic components helped drive low-end modem prices in the UK from some £300 two years ago to as low as £50 to £60 now, says Corbishley. The next expected wave "is a modem-on-a-card that snaps into the back of a PC (personal computer)," says Stauvers. The home market "is where we expect the next spurt to be," he adds.

Prices of both low and high-end machinse are unlikely to erode further, suppliers say. But performance will rise as manufacturers, keen to squeeze the last revenues out of a maturing business, add the bells and whistles that will continue to entice buyers.

Advanced features are especially important at the top end of the market for business buyers, where margins are highest. Higher speed and sophisticated "thinking" features to help managers operate their data networks are now available. Some machines can detect if line quality is poor and automatically switch down to a lower transmission rate to avoid errors. Others can alert network managers of potential troubles so that evasive action can be taken.

Motorola sees a marketing edge in competing for transatlantic business. To send data, businesses typically lease lines from a telephone operating company. "To leave a circuit between London and New York costs £50,000 a year," says Walton of Motorola. "If you can get a modem that operates twice as fast, you can save a lot," he adds. To wit, Motorola last spring, in competition with at least one other supplier, introduced a model operating at 19,200 bits per second—twice the speed of a typical leased circuit machine.

"Modems are a growth business, but the window is tight" pending widespread use of digital circuits by satellite and undersea cable, concedes Walton. He would not reveal the price of his company's new machine, except to note it was "an awful lot less than £50,000."

Another bright spot is the US market, where penetration of digital services is less than in the UK — and hence demand for modems greater. Business users drive the demand for digital lines, and in the UK, a large percentage of businesses are in a few confined geographical areas where British Telecom is fast installing digital exchanges. By 1990, BT expects half of its local exchanges will be digital.

Despite these pockets of growth, most suppliers are still wary of their modems business, which they now predict will peak in the early 1990s. Suppliers are diversifying into other data communications product areas, devices known as multiplexers, network terminators, data PBXs and other tools that will make the digital networks of tomorrow run.

The concept that the public telephone network will one day be digital and able to carry a variety of services, including voice, data and even video, is known as ISDN (for integrated services digital network). But until it exists, says Walton, "anybody on the old analog networks who wants to do data communications has to have a modem."

HOW THEY WORK AND WHY THEY WERE DEVELOPED

The public telephone network was created to carry voice, the undulating waves of sound pressure created by human speech. But as businesses' data communications needs have soared, that network has also been pressed into service to carry computer data

Compute data though does not come in wave form. It comes in a no-nonsense series of on-or-off electrical signals that are the basis of the binary language computers "speak." A series of eight on-or-off signals, for instance, describes one letter of a word.

The telephone system is gradually being changed over to digital operation. But until it is (and except where digital lines are already available), the binary data of computers has to be converted to a form that the conventional analog telephone system can carry, and back again at the receiving end.

This conversion is carried out by an electronic device called a modem, short for modulator-demodulator.

Simply put, the on-off signals are assigned corresponding tones within the limited band of human speech that the phone system can handle.

To do the reverse, that is convert analog speech to a digital code, the wave forms are sampled thousands of times per second and each sample is expressed in a code of 1s and 0s to recreate the original computer description.

Business lessons to be learned from 50 years of television

FILM AND VIDEO

by John Chittock

IN THE next few weeks, the public in Britain will be receiving more than its regular dosage of news about television. Next Sunday, November 2, is the 50th anniversary of the world's first regular, high definition public television service. The BBC's inauguration of daily TV programmes (Sundays excepted) occurred at 3 pm on Monday, November 2, 1936 with speeches, a weather report, a cinema newsreel and a variety show featuring comedians, dancers and Chinese jugglers.

The 50-year celebrations include an exhibition at Bradford's National Museum of Photography, Film and Television, another at the Royal Festival Hall in London staged by the Museum of the Moving Image (now under construction) and a 73 video screen spectacular at the Commonwealth Institute in London presented by the Royal Television Society.

The anniversary may revive long-running controversies about who actually invented television, and will certainly cause a few to fall into the trap of giving the BBC unqualified credit for a world first (the operative qualifications are "regular," "public" and "high definition"—the latter in those days a very relative term).

Unfortunately for the television industry, the one thing that all of this preoccupation with history may probably fail to do is to analyse past mistakes as a means of creating future strategies. History does repeat itself, and the media world is full of examples for those ready to learn.

John Logie Baird, the man who undoubtedly made the first successful demonstration of television (in 1926) eventually failed in business because he backed the wrong technology—and stubbornly refused to recognise the fact. His television system relied on mechanical scanning of the image—unlike Marconi-EMI's which employed electronic scanning and survives in principle today.

So lesson number one is to avoid dead-end technologies. And, whether or not the right system has been chosen, lesson number two is not to assess commercial merits of new ideas on the basis of existing experience. The howlers made by those who failed to recognise the importance of television are now almost legendary: "well, what's the good of it when you've got it?" (a member of the Royal Institution, 1926); and in 1924 from AA Campbell Swinton, the pioneer of the cathode ray tube (the right system)—"the real difficulty with regard to this subject is that it is probably scarcely worth anybody's while to pursue it."

Comments of this kind are not unfamiliar to those who have followed the more recent history of the video disc, now the subject of a book about RCA's colossal failure in that technology—RCA and the Videodisc (by Margaret Graham, Cambridge University Press). In her analysis of RCA's research effort in developing its SelectaVision video disc system, regrettably Ms Graham does not satisfactorily tackle the most crucial question of all, "why did it fail?"

The history of television perhaps offers some clues. RCA, like Baird, was trying to succeed with a technology which could not possibly compete with its rival. In the words of this column on occasions, RCA's video disc system was streching old technology to the limit of its capacity—while the main rival, Philips optical system, was (and remains) an open-ended technology.

The failure of some people in the 1920s to recognise the potential of television—a totally new medium which could not be assessed by reference to existing experience—was also repeated with the video disc. What Ms Graham does not stress in her book was RCA's error in regarding the video disc as just another way of viewing movies—a rival to the VCR, even television—when in fact its real benefits had little to do with these media at all.

Philips for a long time made the same mistake, failing to emphasise that the video disc allows viewers to access visual material and interact with it as easily as turning the pages of a book. Or, again as this column described it, combining the fluency of moving pictures with the flexibility of the computer.

Fortunately for Philips, even though the concept of the interactive video disc had no previous culture to draw upon there were enough users around in the 1970s who recognised the potential of this new medium.

Despite what the cynics said about the video disc, it has now undoubtedly arrived and is here to stay; not as RCA promoted it, a consumer product for watching movies, but as a versatile system quite unlike any medium we have experienced before. Lloyds Bank, British Telecom, the US Department of Defence, museums around the world, universities, medical schools — these and hundreds of other organisations are now committed users.

The leap to consumer recognition has still to be made. But another bit of history repeating itself may shortly help the video disc to clear that hurdle. This year is the 900th anniversary of the Domesday Book, Britain's remarkable record of life in towns and villages. Enter again the BBC, whose forthcoming 20th century version of Domesday — on video disc — is soon to be launched.

This remarkable project will provide on two video discs a vast computer-controlled library of information about Britain in text, pictures, movies and sound. It includes the entire Ordnance Survey maps (which on paper would cost over £6,000), the National Census, and a treasury of pictures and facts about Britain's villages, towns, work, leisure, people and the environment.

Every market researcher, school teacher, librarian, even advertising agency will find it hard to resist. The official unveiling by the BBC is expected "soon," but for those who have had an early glimpse of the programmes there is little doubt that history will be soon repeating itself yet again — a new medium, slow in consumer development (photography took 50 years, television 15), but at last discovering its own uniqueness despite the perceptions of its inventors.

UK NEWS

BBA cuts 600 more jobs at parts plant

BY DAVID GOODHART

BBA GROUP, the UK public company which recorded the second fastest growth by market capitalisation in 1985-86, yesterday announced a further 600 redundancies at its Leamington automotive components plant.

The plant which makes brakes, clutches and steering joints was part of Automotive Products (AP) acquired by BBA last January for £98m. BBA announced the shedding of a first round of 400 jobs at Leamington six weeks ago.

However, the BBA management denied that the 1,000 redundancies reflected a more serious position than expected at AP and blamed the rationalisation on "the rapid significant decline in the sales in the UK market for automotive components."

The sharp fall in sales – which has already hit several other engineering groups including GKN and Lucas – is likely to end BBA's rapid growth by acquisition which began in 1984 following the arrival of Dr John White as managing director.

Several analysts were yesterday marking down their profit forecasts for BBA, Quilter Goodison, for example, reduced its pre-tax profit estimate from £34m to £22m. The share price has been falling heavily for some weeks and in particular after a £69m rights issue in August. The main cause of reduced sales has been the decline in the number of cars built in the UK, from 575,705 in the first half of 1985 to 519,840 in the first half of 1986.

● A total of 700 jobs at Shell's Stanlow oil refinery in Cheshire, northwest England are to be lost over the next three years, the company said yesterday. The redundancies come on top of the 1,000 jobs already lost since March last year, and will by 1990 have reduced the total number of employees by half to 1,700.

Takeover Panel censures AE advisers over shares purchase

BY DAVID GOODHART

THE TAKEOVER Panel yesterday directed one of its sharpest censures for several years at the merchant bank, Hill Samuel, the stockbroker, Cazenove, and the Midland Bank. It also allowed Turner & Newall (T&N) to renew its bid for engineering group AE without having to wait the usual 12 months.

The panel's announcement, which ends three weeks of speculation, was welcomed by Sir Francis Tombs, T&N chairman, but he said that no firm decision on whether to re-bid would be taken until the state of the market could be more clearly judged.

T&N failed in September by only 1 per cent to win more than 50 per cent of AE, but soon after the bid had lapsed T&N's merchant bank, N.M. Rothschild, complained to the panel that it had been unfairly blocked in the buying of shares in the final days of the bid.

It accused AE – and its financial advisers Hill Samuel and Cazenove – of breaching panel rules by failing to disclose that associates had been buying AE shares while covered by an indemnity agreement.

The panel upheld the Rothschild claims but emphasised that AE had not known about the actions taken on its behalf. Nevertheless, the panel concluded that: "AE could not be dissociated from the actions of its principal advisers."

After the panel came to this decision earlier in the month AE, Hill Samuel and Cazenove all separately appealed against it. However the appeal committee of the panel, chaired by Sir Henry Fisher, yesterday upheld the panel's findings.

The panel's original statement pointed to two major transactions which it said were in breach of its rules. In the first Hill Samuel Investment Management (HSIM) – the manager of the AE pension fund – entered an agreement with the Hill Samuel Group (HSG) in which HSIM agreed it would not sell its shares to T&N "and HSG agreed to make good on an eventual sale any shortfall between the price received and 240p."

The full panel concluded that the transaction constituted a "dealing" falling within the provisions of Rule 8.1 which requires disclosure of any dealings by the company being bid for and its associates. It added: "The panel is at a loss to understand how HSG came to that conclusion (that disclosure was not required) and deplores the fact HSG did not test that conclusion by consulting the panel executive as the code urges."

The second major transaction involved a deal between Hill Samuel and two clearing banks, of which Midland Bank was one, under which the banks agreed to buy AE shares and Hill Samuel agreed to indemnify the banks within certain limits against any loss on the resale.

The number of shares purchased by Midland came to a fraction under 5 per cent. That stake, along with the 2.3 per cent owned by HSIM, were placed by Cazenove at 261p a few days after the bid lapsed on September 12.

The panel repeated that it was again "at a loss to understand how it could have been concluded that there was not a requirement to disclose." It added that while Midland may be a principal banker to AE the transaction could "by no stretch of interpretation be described as falling within normal commercial banking services."

Conservatives may not fill Archer's position in party

BY PETER RIDDELL, POLITICAL EDITOR

CONSERVATIVE LEADERS yesterday decided that Mr Jeffrey Archer would probably not be replaced as deputy chairman of the party after his dramatic resignation on Sunday.

His job as deputy chairman since September last year was mainly one of touring Britain and attending party meetings and events (316 in a year) to rally the faithful. He had few administrative responsibilities at Conservative Central Office.

Mr Archer's resignation followed revelations in the News of the World and his admission of "lack of judgment" in offering money to an alleged prostitute whom he claims never to have met in order to avoid a scandal.

Mrs Margaret Thatcher, Prime Minister, and Mr Norman Tebbit, the Conservative Party chairman, both believe there is no urgency in replacing Mr Archer since his role was special and reflected his talents as a speaker.

The message yesterday from both Downing Street and Conservative Central Office was one of personal sympathy, but that an unhappy chapter has closed and life must go on.

This was also the view of most Tory MPs who regard the resignation as a bizarre but probably isolated incident and hope there will be no lasting political implications.

But some members concede that there could be underlying damage in view of the Conservative Party's emphasis on family life and values, especially following the departure of Mr Cecil Parkinson as Party chairman three years ago. Mr Parkinson admitted having an affair with his secretary who later gave birth to his child.

The Conservative leadership's problems at Central Office have been made easier by the appointment in the September reshuffle of a joint deputy chairman alongside Mr Archer to oversee the organisational side.

The leadership's desire to take Mr Archer out of the limelight was reflected in the sudden disappearance of his speaking engagements yesterday. Initially, Mr Archer had apparently agreed to go ahead with a meeting in the New Forest today.

However, it was later announced by Mr Tebbit that Mr Archer had asked to be relieved of his party speaking engagements for the time being in order to spend time with his wife and children.

In their few public comments Tory MPs rallied round Mr Archer, whatever their previous private doubts about his appointment.

Mr Ivan Lawrence said Mr Archer had "succeeded, magnificently" and had done a very good public relations job.

Sir Anthony Grant said Mr Archer had taken the honourable course of resigning at a very early stage. There was general relief that Mr Archer's quick action had spared the party a continuing embarrassment and controversy.

Labour wins court fight over candidate

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Labour Party appeared last night to have won the battle over who should represent the party in the by-election in the Merseyside constituency of Knowsley North on November 13.

Yesterday it defeated two more legal moves by the Knowsley North Labour Party to challenge the decision by the national executive committee (NEC) to endorse Mr George Howarth's candidacy.

The High Court refused to grant the Knowsley party an order that there should be a trial this week of its claim that the NEC exceeded its powers in barring the selection of Euro MP Mr Leslie Huckfield and imposing Mr Howarth as the candidate.

Mr Jusice Hoffmann said that, for practical purposes, there was no need for a decision this week, because it was "unlikely in the extreme" that the NEC, which has the final say on candidates, would endorse anyone other than Mr Howarth, whom it had already put before the public as the Knowsley candidate.

It would, to say the least, make the Labour Party look extremely foolish if it did so, the judge said.

Last night the Court of Appeal refused the Knowsley party leave to appeal against that ruling. Sir John Donaldson, the Master of the Rolls, said that Mr Justice Hoffmann had had to carry out a "damage limitation exercise." He had had to make a difficult decision "and I am not prepared to say he was wrong." Sir John said.

Lord Justice Dillon said the Knowsley party was trying to get round its decision last week not to appeal against an earlier refusal by Mr Justice Hoffmann to grant temporary injunctions stopping the NEC acting on its resolutions about the Knowsley North selection.

Last week's order was sought jointly by the local party and Mr Huckfield. Mr Huckfield, however, took no part in yesterday's court moves and Sir John Donaldson commented that there appeared to have been a split between him and the local party about the course the litigation should take.

Mr Roger Henderson, QC, for Knowsley, had argued that it was being denied natural justice in not being allowed a say in who should be its candidate.

Mr Alexander Irvine, QC, for the Labour Party, said that a trial this week, when the election campaign had started and there was a Labour candidate "up and running," would make a shambles of Labour's campaign.

He raised the "horrifying spectre" of nominations closing next week and Knowsley being without a candidate if a trial were ordered.

North Sea drilling 'holding up well to oil price fall'

THE NORTH SEA is holding up better than other offshore areas in response to the collapse in the oil price, Mr Alick Buchanan-Smith, Energy Minister told a petroleum geology conference in London yesterday, Lucy Kellaway writes.

Mr Buchanan-Smith said that no company had yet approached the Government to ask to be released from its commitment to drill wells because of the low oil price.

The actual level of exploration activity in the North Sea was higher than was sometimes made out, he said. So far this year 58 wells had been started, no less than for the same period last year, while altogether there had only been 10 fewer wells drilled this year than last, and three significant discoveries had also been made.

□ IBM, the world's largest computer company, has abandoned plans which would have meant up to 300 new jobs in Swindon, 70 miles west of London, in the next four years. They are now to be created in Havant, near Portsmouth, where IBM already has a large south coast manufacturing plant. IBM said the decision was made in order to save on support services. The company has recently launched a worldwide cost-cutting drive because of a slowdown in sales of some of its main products.

□ CONSUMER law needs tightening to end deaths and injuries caused by dangerous products, especially toys, the Government's consumer watchdog said. "There are gaps in the armour of protection necessary for the consumer," said Mr Michael Montague, chairman of the National Consumer Council. Children were still being exposed to dangerous goods and toys, many of them imports.

□ SMOKE HOODS, which could have saved most of the 55 people who died in last year's Manchester air disaster, should be standard equipment on all passenger aircraft by the end of next year, Mr Edward Trimble, the senior inspector of accidents at the Department of Transport, told a conference in Aberdeen. He said the hoods would be the cheapest way of saving passengers' lives and should add nothing to the price of air travel.

□ PRIVATE Enterprise has been given a role in the Department of Energy's research into extracting power from hot rocks deep underground. Mr David Hunt, the junior Energy Minister, told MPs that Rio-Tinto Zinc and Taylor Woodrow had become involved in the geothermal research study, and he hoped other companies would participate in the run-up to major decisions on the future of the project next year.

□ ALMOST 11,000 jobs have been created with the help of British Coal Enterprise in areas hit by mining closures, Mr Peter Walker, the Energy Secretary, told the Commons. He said that £16.8m had been spent on 791 projects. It was hoped that 25,000 jobs would eventually be created with the £40m allocated by the Government.

□ UNIONIST leaders in Northern Ireland ruled out any form of industrial strike to mark the first anniversary on November 15 of the signing of the Anglo-Irish Agreement. Instead they called on those opposed to the accord to turn up for a rally outside Belfast City Hall on the anniversary, which is a Saturday.

□ THE NHS would save more patients' lives and millions of pounds if labels on pill and medicine bottles were written in plainer English, it was claimed. The Plain English Campaign is warning health ministers that up to £300m a year may be wasted because patients do not take medicines correctly or, at all.

□ THE FIRST new petrol brand in the UK for 17 years was launched by Kuwait Petroleum International. The brand, called Q8, was unveiled last month in Europe, and arrived at 30 service-stations, mainly in Yorkshire and Humberside.

□ A 40-ACRE section of the Ministry of Defence's airfield at Farnborough, Hampshire, is to be developed at a cost of £80m for use by business and executive aircraft.

The Financial Times apologises to regular followers of DKB's monthly Economic Report which should have appeared on Friday, October 24—due to production difficulties it now appears today.

UK NEWS

Andrew Taylor and Paul Betts assess the funding blow to Eurotunnel

Investors cast tunnel gloom

ATTEMPTS TO finance the Channel Tunnel have been beset with problems almost since Eurotunnel won the concession in January to build the 31 mile-long rail tunnel between Britain and France.

On Friday the consortium was forced to admit that it was still short of the £206m target for its international share placing which is due to be completed this week.

Earlier differences over the terms of construction contracts meant that the proposed placing had to be postponed and the signing of loan agreements for more than £5bn delayed.

Eurotunnel shareholders and senior executives yesterday were involved in a desperate bid to rescue the placing with the prospect that the project might fall at the first hurdle.

If the placing does not succeed the loan agreements with around 40 international banks will be in jeopardy. At the root of the consortium's problem is the failure of British institutions to support the scheme in sufficient numbers.

The alarm bells started ringing on Friday lunchtime when it became clear that the consortium would not reach its British target of £70m.

The shortfall is thought to have been only around £10m, but the reluctance of British institutions to support the issue was already having repercussions in the US where institutions had been starting to get cold feet about the placing.

The £20m Eurotunnel had hoped to raise in the US may now be in doubt, with major US institutions delaying confirmation of pledges until they see how the rest of the placing fares between now and 2pm London time tomorrow. Then, according to the prospectus, the deadline for payments closes. Technically, however, the banks can go on offering the shares until Friday.

It appears that the strong line taken by a number of British merchant banks against the project has been filtering back to New York and this has made the task of Salomon Bros, which is handling the US issue even more difficult.

The guidance of merchant banks which manage funds or advise pension fund trustees has generally been that the project is too risky, and the pay back date too far ahead for them to consider it as a worthwhile investment.

More than 40 British institutions have pledged support, ranging from £500,000 to £5m. They are mostly independent funds, many insurance groups which have been prepared to take a longer term view of the tunnel and its risks.

The outcome was foreshadowed in a survey of 25 of Britain's largest institutions conducted by the Financial Times in July. This showed that only six funds, the majority of them insurance groups, were prepared to invest in the tunnel.

Investment managers at 10 funds said they would definitely not invest, and two thirds of the nine which were undecided thought it unlikely they would participate.

Reasons given for this reluctance were the high risk of the venture and the fact that first dividends would not be paid until 1993 when the tunnel is planned to open.

Funds were concerned that construction costs could overrun and traffic forecasts might not be met – particularly if cross-Channel ferry operators staged a rearguard action. If a costly financial rescue had to be launched, either by government or by the banks, equity investors could suffer badly in any reconstruction.

Some fund managers expressed concern about passenger safety and the tunnel's security against terrorist attacks. There were also fears that investment made now could be lost if a British general election intervened or if the Channel Tunnel Bill was defeated in Parliament.

These doubts have not enhanced the tunnel's credibility either at home or overseas. If British investors are doubtful, despite UK Government support for the project, why should foreign funds risk their money?

Eurotunnel, outside Britain and the US, is seeking to raise another £70m in France, around £20m in Japan, where Nomura is handling the issue, and the remaining £20m or so to be garnered from the rest of the world.

The founding French shareholders in the consortium, drawn as in Britain from mostly construction and banking groups, have been watching with dismay as the British end of the placing has, so publicly, run aground.

Bankers managing the French portion of the issue were confident yesterday that they would complete the FFr700m French issue. However, they said that a number of major groups had not yet confirmed pledges and some were still hesitating whether to take part in the placement. These are understood to include the Caisse des Depots et Consignations, the huge French financial institution under parliamentary control, and the AGE state insurance group which is due to be privatised next year.

It would be a blow to Eurotunnel if the Caisse des Depots did not subscribe although the promoters expect any shortfall to be made up by other groups. The issue continues to provoke little, if any, public debate in France. The feeling in Paris is that the main obstacles remain squarely on the UK side of the Channel.

In Japan the placing is thought to be virtually complete and it would be surprising if £20m could not be raised from the rest of the world. It is in Britain where the pressure is being really felt. The Bank of England, disappointed at the lack of support, is understood to have been lobbying institutions to see if they would be willing to reconsider investing in the project. It has apparently persuaded one fund to change its mind and subscribe to the issue.

The decision to invite Sir Nigel Broackes, chairman of Trafalgar House, the construction, shipping, hotels and property group to join the Eurotunnel board as a non executive director is another sign of the consortium's recognition that it needs to breathe new life into the project.

Sir Nigel, a strong supporter of the consortium, even though it defeated a rival Trafalgar House proposal to build a road and rail link across the channel, will be expected to use his energy and enthusiasm to improve the project's rating

Lufthansa woos business travellers

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A battle this winter between UK and European airlines for the higher-fare business-class travellers on short-haul international routes is now likely to emerge, after a decision by Lufthansa, the West German airline, substantially to improve its business class service from November 1.

One immediate result is that British Airways is studying its own business class standards, and may feel obliged to improve them to meet the forthcoming competition.

The battle will not be over fares, which remain unchanged, but seat pitch – the distance between one seat and another which governs the legroom. Lufthansa is increasing it by up to 2in to 34in as standard – the best of any short-haul airline in Europe.

At the same time, Lufthansa will offer all business class travellers the right to reserve a specific seat, and it is distributing detailed seating plans of all its aircraft, so that travellers can select the best seats on a first-come, first-served basis.

This is coupled with new designs of seats to provide more comfort, and a new decor inside the passenger cabins. In addition, passengers will receive a full meal; breakfast, lunch or dinner.

Business travellers form the majority of all European passengers, especially to Northern European countries.

Circulation of new paper is holding up

By Raymond Snoddy

THE circulation of The Independent, the new quality newspaper, appears to be holding up well as it enters its fourth week today.

Distributors believe the paper is selling around 375,000 a day but said that it may not yet have "bottomed out".

The circulation figure is ahead of the prospectus target at this stage which envisaged a sharper decline following the initial curiousity and then a long haul next year back to a financially viable figure of 375,000 copies.

Mr Douglas Long, managing director of The Independent, said yesterday he believed the paper was now selling between 350,000 and 400,000 and that there were signs last week that it had "platformed out".

The print order was now 475,000 and, apart from London, sales were going particularly well in Scotland. Nearly 10,000 copies a day are also being sold in cities such as Paris, Amsterdam, Madrid and New York.

"We have achieved in a short space of time a remarkable degree of acceptability within the ABC1 groups," Mr Long said.

● Today, Britain's other new national newspaper, said its new game Scoop had boosted circulation by around 30 per cent on Saturday – its first day. Scoop is a numbers game linked to the news

State munitions group reorganised for sale

BY DAVID BUCHAN

ROYAL ORDNANCE (RO), the state-owned arms and munitions maker, is to be reorganised early next year into two, instead of the present four, operating divisions, in a rationalisation that is clearly aimed at making the business more attractive to private buyers.

Yesterday's announcement of the reorganisation follows a two-day briefing of more than 100 senior Royal Ordnance managers last week in London. The move is prompted partly by the recent sale of the RO tank-making factory at Leeds, Yorkshire, to Vickers but mainly – according to a company statement – to make RO "more firmly focused on products and their customers and able to respond to the market place worldwide."

The reorganisation involves no outside management recruitment and will apparently not affect the level of RO's 16,500 workforce. The new land weapons division will be headed by Mr Harry Butterworth, who runs the present ammunition division, and the naval, air and engineering division will be headed by Ron Goldsmith, whose existing weapons and fighting vehicles division has just lost its Leeds factory to Vickers.

Since that sale, the Government has been trying to interest private UK buyers in acquiring the rest of RO. Memoranda of sale have been distributed to various companies, but so far none seems interested in buying the whole company, only parts of it.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI

E. N. I.

(National Hydrocarbons Authority)

6½% Sinking Fund Debentures due June 1, 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1986 at the principal amount thereof $625,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. $1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

17 26 72 79 86

Also Debentures of U.S. $1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

656	1956	3656	5456	6756	7556	8556	9856	12756	15256	18256	20756	
756	2756	3756	6056	6856	7656	8656	9956	13456	15356	19456	21056	24456
856	3056	3856	6156	6956	7756	8756	10156	13956	15456	19656	21156	24656
956	3156	3956	6256	7056	7856	8856	11356	14256	15856	20056	21856	24856
1256	3256	4056	6356	7156	7956	9056	11456	14556	15956	20156	24056	
1356	3356	4156	6456	7256	8056	9156	11556	14656	16056	20256	24156	
1456	3456	5156	6556	7356	8356	9256	11956	15056	16656	20356	24256	
1856	3556	5356	6656	7456	8456	9456	12156	15156	16956	20656	24356	

On December 1, 1986, there will become and be due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of **Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015**, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg-Ville. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due December 1, 1986 should be detached and collected in the usual manner.

From and after December 1, 1986 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI
By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Fiscal Agent

October 28, 1986

Just a whiff of the Somme on the trading floor start lines

BY TERRY BYLAND

MONDAY morning dawned more balefully than usual for the City of London yesterday. After weeks of growing excitement, culminating in Friday's rowdy farewell to the old-style market, the Stock Exchange finally faced Big Bang day—which threatened to be the day when the cheering might have to stop, and any unused champagne bottles be returned to the wine merchants.

A solid downpour of English rain set the scene for what was to be a trying day. City men reached the Square Mile early, but without much sign of their recent exuberance. "Big Bang Breakfasts" advertised by enterprising restaurateurs, but at Coates Cafe, the favoured hunting ground of the smart new breed, the mood at 8.00 am was subdued.

As the digital clocks flicked towards market opening time, the professionals picked their way over the television camera cables towards the Stock Exchange trading floor. Paradoxically, the floor was thronged with media men but exchange members were expected to wait on the sidelines until the appointed hour.

Pre-market intelligence was bad. The Stock Exchange Topic system, which carries prices to Seaq, the very heart of the new electronic market, twice succumbed to overloading in the crucial hour before the market opened, when the market makers must input their price quotations.

There was just a whiff of the Battle of the Somme as we waited on the start-line for the maroons to go off. Cheerfulness, but no jokes. Men fidgeting with their jackets, straightening their ties.

The signal came, and on to the trading floor we went, with some of the new market makers banging their trading counters in symbolic honour of the day.

The advance into the new era hit trouble early as the Seaq computer screens failed to carry the promised data—prices and bargain sizes of deals in the major alpha stocks, and prices in the lesser traded beta and gamma issues. Deals in Hawker Siddeley, for example, were running half an hour late.

Marketmakers protected themselves by quoting prices in only 1,000 shares in blue chips where 25,000 share lots are traditionally traded, or even a mere 100 shares in the gamma stocks.

Trading stands in many financial and equity stocks carried hurriedly scrawled chalk messages which read, "Off-floor," followed by a telephone number — implying that this stock would be traded only by telephone from the marketmakers' offices.

"What are you doing here, then," asked one aggrieved old timer, to be met with a stony-faced response. The move towards off floor trading also showed itself in a significant reduction of the traditional throng on the trading floor.

A beneficiary of the problems with the exchange computers was Smith New Court which, unlike many former jobbers, has maintained a strong presence on the trading floor and advertised its readiness to deal there. The Smith pitches were busy for most of the day when Mr Tony Lewis, the chairman, said tactfully: "We have done as much business as we expected to."

Trading in Government bonds appeared difficult because few of the 27 market-makers' prices appeared on the Seaq screens. But major dealing firms had no problems in transacting business.

The session continued on a confused note, with the Seaq screens still sometimes failing to deliver the predicted service, and traders often reverting to time-honoured, face-to-face dealing practices.

The larger firms took a philosophical view of the day. At Salomon Bros, the US investment bank, long case-hardened in electronic markets, Mr Chris Dark, head of gilt-edged sales, said the market was "slowly, softly and quietly feeling its way into the new system." Wood Mackenzie, equity market making arm of Hill Samuel, was "not deterred" by the problems of yesterday's markets.

And so, as the weary floor traders limped away to Orpington, Chelmsford or Coates Cafe, the London stock market remained confident that it had lived to fight another day. "But not too many like that one," said a voice from the ranks.

County Group celebrates its £30m investment

BY DAVID LASCELLES

THERE WAS novelty in the air, and balloons everywhere, at County Group's 27-storey headquarters in Drapers Gardens yesterday, which made it feel more like a fairground than the nerve centre of one of Big Bang's biggest players.

But there was something to celebrate: yesterday was the culmination of two years of planning, nearly £30m spent on technology and the efforts of 2,000 people.

County is part of NatWest Investment Bank, the £310m subsidiary created by the UK's largest clearing bank out of a stockbroker, a jobber and its own merchant bank. It is one of the UK's largest integrated financial institutions.

The verdict last night was that day one had gone smoothly—despite the computer breakdown—and that some parts of the business might even have turned in a profit.

Mr Peter Dale, the deputy chief executive, said: "The problem with the computer could be a good thing. It creates a sense of caution."

Most people were in by shortly after 7 am yesterday in grey drizzle, ready for dealings which began at 8.30. "Business started quite sensibly," said people are not getting a feel of executive of County Securities, the equities arm of the business. "There was a fair flow of orders from institutions to our market-makers."

When the Stock Exchange systems went down, County started dealing on the telephone with its clients instead of using the new-fangled screens.

"It was a bit like after-hours dealings on a normal day." Even though workmen are still stuffing wires into ducts, County's own systems were ready on time and withstood the test.

In the equity trading room, market-makers were adjusting to the transfer from the stock exchange floor to "driving a desk" with banks of flashing lights and green screens.

"The big difference is that people are not getting a feel things from the floor. Big Bang takes away the human element," said Mr Charles Peel, who manages the UK and European end of the business.

He was not too sure at teatime whether his part of the operation had made money. "But I have not seen any trades that I am jealous of," he added, punching buttons to bring up multi-coloured displays of trading activity on his screen.

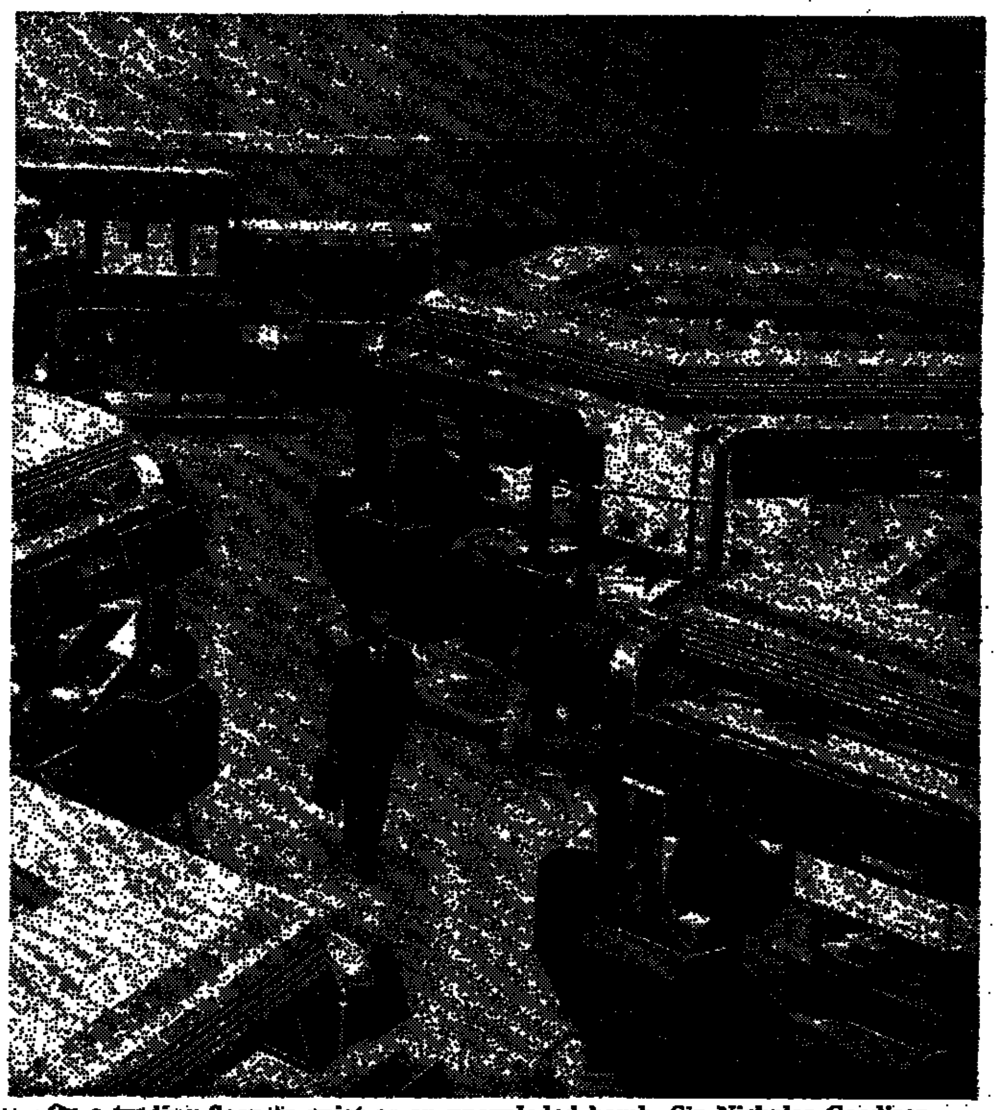
The market makers themselves seemed to be taking life calmly. Mr Rory Forrester said: "People have been quite sensible. There haven't been any spivs around." He believed the market showed strength because the new market-makers preferred to be long on stock until they found their feet.

But if the human element had gone, he was pleased with the new equipment: "It gives us much better access to our clients. Frankly, we do not see much future for the Stock Exchange floor." His colleague Mr Mark Potashnik said: "We came in expecting the worst. As it turns out, it has been rather enjoyable. I think we have made a profit."

A few floors below the 60 people in County's new gilts primary dealership were similarly satisfied. They were having a moderately active first day, although market conditions were quite quiet.

Mr Tony Powers, its managing director, said: "We have had a lot of inquiries and did about 150 deals. I think we made money." By coincidence, NatWest also took the first step yesterday towards becoming a primary dealer in the US government bond market.

"If every day is like this, then we have got nothing to worry about. But it will not be," he added.



On a trading floor as quiet as an unexploded bomb, Sir Nicholas Goodison, Stock Exchange chairman, enters to preside over the Big Bang

Bank satisfied with operations on the gilt-edged market

BY DAVID LASCELLES

IF THE GILT-EDGED market is heading for a bloodbath, it has had a 24-hour reprieve. The first day of trading in the new market designed by the Bank of England was, by all accounts, un-gory and — for some of its 27 eager participants — profitable.

The normally reticent spokesman at the Bank was even willing to be quoted: "We are very satisfied with the way the market has operated so far," he said.

Fortunately, the market's first day was spared any untoward external shocks. The fears of recent weeks about a sterling crisis or an interest rate rise had receded, the pound behaved itself on the foreign exchange markets and there were no official statistics to disturb the calm atmosphere. Technically, the market also began without any bias because dealers had squared their books at the end of last week in anticipation of Big Bang.

The biggest blow was the Stock Exchange computer breakdown which prevented market-makers, to their frustration, from putting their prices up on the Seaq system. "This has been a complete blockage to what was otherwise a reasonably good start," said Mr Jack Wigglesworth, director of Lloyds Merchant Bank Government Bonds.

But the disruption did not appear to have much effect on trading itself. Activity was variously described as moderate to "pretty good," even if the market's tone was unexciting. Prices showed a slightly firming tendency during the day, with long gilts ending up about 6/32 of a point.

Although the Bank of England is now collecting detailed daily trading figures which it will crunch each night in its computers, it does not intend to publish them yet. So exact volumes can only be guessed. Market-makers described it as about normal yesterday, with some of the largest reporting over 100 deals. Trading in gilts futures on LIFFE totalled just over 11,000 contracts, which is unexceptional.

Market participants reported that there had been steady two-way trading in stock. Although the Seaq system was down, market-makers were displaying prices through the six designated inter-dealer brokers and other means such as Reuters.

There were complaints that market-makers were not quoting prices for all types of stock, as they are obliged to, but the Bank of England said it was satisfied with the range of prices on display.

Although the Big Bang should stimulate much fiercer competition, the spread between bid and offered rates did not narrow appreciably yesterday. The spread was about 4/32 on long gilts which dealers said was little changed. Several dealers reported that people had been "playing games" in the market: traders were putting up prices to advertise their execution capabilities or invite inquiries, but were not serious participants.

The inter-dealer broker system was also said to have functioned well. The IDBs handled about 40 per cent of market volume. Mr Charles Pendred, of Garban Gilts, one of the IDBs, said: "It was very restrained at the start: but business began to pick up quite well as the dealers built up overnight positions."

The lack of excitement was, in a way, a relief. It gave the market a chance to ease itself in gently. On the other hand, it also means that the real test still lies ahead when the full flood of competition is unleashed and market-makers come under pressure to make real, rather than token returns, on their capital.

Lord Camoys, chairman of Barclays de Zoete Wedd, one of the largest market-makers, said: "You don't try and drive a new car at 130 mph. Fortunately no one was trying to do that today."

Institutions make a cautious beginning

BY CLIVE WOLMAN

FOR THE first hour-and-a-half after Big Bang most institutional investors made no deals. Their general wariness about the new market was compounded by the breakdown of the Topic-Seaq price-information system.

They also had difficulties telephoning some brokers and market-makers, such as Kleinwort Grieveson, which had moved into new, combined offices over the weekend to take advantage of abolition of the broker-jobber distinction.

A dealer at Mercury Warburg Investment Management said: "Until the screens started working we did not feel safe to deal. A semaphore system across the City would have been better than this."

At Prudential Assurance managers were more confident and made one of the day's largest deals, for 1m shares in Hanson Trust, in the early-morning session. They also dealt in the gilt-edged market by relying on the price of the gilt futures contract which appears on Reuters screens.

Many investors said that in view of the generally poor information about gilt-edged pricing in the new market structure they would be paying increasing attention to futures contracts.

In equities other fund-managers made more use than they had expected of the Stock Exchange dealing floor as a way to collect price information. However, Warburg Securities, which incorporates Rowe & Pitman, Mullens, broker, and Akroyd & Smithers, jobber, estimated that 75 per cent of its equity deals and nearly all its gilts deals had been taken away from the Stock Exchange floor.

Sun Life's purchase of British Telecom shares gave an interesting demonstration of how fund managers are using agency brokers and when they deal as principals. Its fund managers asked an agency broker to find them a better price than the 182p to 186p spread quoted on Seaq for larger bargains; they also told Warburg Securities they would deal directly with them as principals if they were willing to sell at 184p.

A few hours later Warburg offered to sell 100,000 shares at the price an agency broker was able to find another market-maker willing to sell 100,000 at 184p for which he charged the standard 0.2 per cent commission. Sun Life is still planning to buy another few hundred thousand BT shares this week, when market conditions permit.

Quiet start for Goldman Sachs

By Janet Bush

IN THE dealing rooms of *Goldman Sachs International*, the London-based arm of the US securities house, Big Bang was ushered in quietly, with a measure of understatement not normally associated with the American business world.

The breakdown of the Stock Exchange's price quotation system at the start of trading was greeted with a philosophical shrug and optimism that initial problems would be ironed out within a few weeks.

Goldman Sachs, which has had a presence in London for 17 years and has built up a substantial client base, traded well below capacity, with primary dealers making prices in only a limited number of first rank equities.

The plan is to build up activity slowly over the next two or three months, keeping the pressure off until traders and customers have built up their confidence in the systems.

The same kind of caution characterised the first day of trading in the restructured UK gilt-edged government bond market. Business was relatively quiet and concentrated on the most popular mainstream stocks.

Mr Bill Landreth, who runs the equities operation in London, stressed the gradual approach Goldman Sachs is taking. "We are not making statements about market domination. We are going into it all with a humble and sensitive manner."

Mr Robert Conway, managing director of Goldman Sachs International, was at pains to play down the image of the US houses as aggressive giants invading a defenceless City of London.

He said he saw Big Bang not just as a chance for foreign firms to expand their international business but also as a major opportunity for British firms, which were now being allowed to trade in a way that they could not before.

Confusion in the provinces

BY NICK BUNKER

CONFUSION over simple telephone numbers proved to be the worst Big Bang headache yesterday for many provincial and small London brokers.

Early in the morning, irritation and despondency had settled over them as they contemplated Stock Exchange video display screens devoid of information because of computer problems.

But as the day wore on that was replaced by quiet astonishment that dealing was beginning to proceed more smoothly than expected. At the same time, it was felt that there should have been at least three more dress rehearsals pre-Big Bang: there was exasperation at the difficulties faced in contacting unfamiliar market-makers by telephone.

There was also resentment that some market-makers were refusing to quote in stocks they were committed to—or simply failing to answer the telephones.

At about 10 am, for instance, some dealers at A. J. Bekhor, the London-based private client firm, were finding it took 30 minutes to complete a single bargain that should normally have taken a fraction of that time. Delays of 15 to 20 minutes were still being reported by other firms well into the afternoon.

One reason for this was the sheer volume of new telephone numbers issued by the new market-making conglomerates, and the difficulty of finding the right person to talk to.

In some cases, trading staff working for the market-making arms of big conglomerates were also reluctant to deal in large quantities without referring to more senior staff.

Confusion over telephone numbers was compounded in the morning sessions by delays or errors in updating the new Stock Exchange Automated Quotations system.

"There are so many market-makers out there whom we just do not know — and often Seaq looks wrong," said Mr Peter Galbraith at Rensburg, the Liverpool stockbroker. He said that the firm's volume of business was about 25 per cent down — and again this was a common impression.

Not surprisingly, many smaller brokers fell back on traditional dealing on the floor with familiar jobbing firms. In practice, that often meant putting their business through Smith Brothers, the market-maker that has kept the biggest presence on the London trading floor.

Mr Geoffrey Pemberton, senior partner of the Leeds firm Howitt and Pemberton, spoke for many when he said: "If we have a choice we are going to Smith Brothers or the Scottish firms — provided they are competitive — because it is easy to find them and they always answer the phone." Mr Tony Lewis, Smith Brothers' chairman, emerged, in fact, as something of a hero among smaller firms.

The brokers that fared best were apparently those who had learned from last week's dress-rehearsal.

One such firm, Dunkley Marshall, had compiled its own simplified market makers' telephone directory and departmentalised its dealers to cover particular sectors of its business. "I could not wait to start," said Mr David Clark, its dealing director, who welcomed the chance to compete for institutional investment business.

No surprises for Scottish financial community

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

ALTHOUGH they may have been a little weary, thanks to the extra tension and the especially early start, by yesterday afternoon major players in the Scottish financial community were giving the impression that Big Bang had not sprung many surprises on them. But there was disagreement as to how much the new technology had supplanted the old.

"You can see on the screen much more of what is going on," said Mr Ian Robertson, who occupies the newly created post of dealer for Standard Life, Scotland's biggest life office. "But you still have to get on the telephone to get the exact price from a market maker and to strike a deal—just as you did last week."

At Edinburgh Fund Managers, one of the investment *management houses*, Mr Alex Gowans said: "The number of phone calls we've received has fallen off dramatically all day. The brokers haven't been coming through. Of course we can see what's going on on the screen, but we'd still rather they pointed things out as well. I hope they won't lose the personal touch."

The Scottish financial community consists of more than half a dozen life offices, a bevy of fund managers spread between Edinburgh and Glasgow, and stockbrokers, the majority of whom have in the past two years been taken over by larger groups. Among the remaining independent brokers, only Bell Lawrie is of any size.

As a leading financial institution, with a portfolio of more than £9bn and a weekly requirement to invest £16m, Standard Life has probably been more affected by Big Bang than most concerns in Edinburgh's elegant financial district.

From yesterday morning it was for the first time dealing direct with market-makers instead of going through stockbrokers. To meet this need it promoted Mr Robertson to be its dealer and boosted its research department, since it is wary of becoming too dependent on brokers who may have an interest in making markets in the stock they recommend.

Standard Life will still be using stockbrokers in cases where it especially values their research, or where, as a very big investor, it wants to deal anonymously.

"The prices quoted by the different market makers are only indicative," said Mr Dick Barfield, the UK investment manager. "But you can now see who is most competitive in each stock."

At Bell Lawrie, 75 per cent of whose business is with private clients, telephone calls to the market makers seemed to be essential to flesh out the stark figures showing up on Seaq. "But at least you don't have to ring round to get the basic information, which could be time-consuming and end up being out of date," said Mr Derek McIntosh, the senior partner. "We were a bit nervous earlier on when the system went down for a bit, but on the whole it all seems to have gone off reasonably well."

At Edinburgh Fund Managers Mr Gowan pointed out that brokers' response time seemed to have become slower, despite the technological aids at their disposal. He grumbled a little at having to get into the office even earlier than usual to catch the early prices being made by market makers, some of whom began before 8 am.

In Glasgow, where the only share trading floor in Scotland is located, Stock Exchange officials insisted it was business as usual after the hiatus caused by the temporary shutdown of the system earlier in the day. The idea, suggested in Edinburgh, that Glasgow's two market-makers could no longer offer better prices than London's because everything was glaringly visible on screens, was firmly denied. "Now Glasgow has the advantage that it can see what everyone else is doing," said an official.

Options, futures subdued

BY ALEXANDER NICOLL

"ONE OF the last things people would be worried about today is hedging their positions," said one stockbroker explaining the somewhat subdued business seen yesterday in options and futures based on UK securities.

These derivative markets are expected to benefit importantly from Big Bang partly because market makers will want to protect themselves against the risks they take on.

On the Stock Exchange there was quite active trading in options on stocks such as Hanson Trust, Marks and Spencer and Cable and Wireless. Trading in options on the FT-SE 100 Index was limited at first because of the computer problems. The day's overall volume was 18,033 options.

At the London International Financial Futures Exchange 9,374 long gilt futures contracts — worth £469m — were traded.

Small-investor services' reaction mixed

BY JOHN EDWARDS

REACTION TO the Big Bang was mixed reaction yesterday among banks dealing with private clients.

"Thrilled to bits" was the initial reaction at Lloyds Bank's new stockbroking subsidiary, which started trading in London yesterday to deal with private client business.

Mr Peter Minchin, managing director, said investors appeared to have been holding back some the market so that they could deal on the first day. By 11 am the volume of orders had reached what the firm would expect to handle during the whole of a normal day at this stage.

It made some sense to delay since stamp duty has been halved and most private investors, using bank services, are paying cheaper commissions than previously.

How did the firm cope with the stock exchange computer breakdowns? Not too badly, according to Mr Minchin. The firm simply switched to dealing from the company "box" on the stock exchange floor instead of relying on screen trading and transferred back when the screens came back to life.

Mr Jack Wigglesworth, director of the Lloyds Merchant Bank Government Bonds (gilts) company, was less complimentary. Topic let us down badly, he said.

The National Westminster stockbroking subsidiary, Fielding Newson-Smith, reported a quiet to average trading day.

World's press and television on hand for City's big day

BY RAYMOND SNODDY

THE BIG BANG in the City has also been a big news story. The move to electronic trading in London has found its way on to television screens all round the world.

As Sir Nicholas Goodison, chairman of the Stock Exchange, explained patiently to probing American journalists why the Topic system had crashed in the first hour of the new era, there were as many camera shutters clicking per second as electronic deals being done.

"I have never chaired such a large press conference, not even in 1983 (when the changes were first announced)," Sir Nicholas said in a moment's respite before getting back to his day's quota of 14 separate interviews.

"I'm beginning to get lightburned," he joked.

So far more than 150 journalists have been to the Stock Exchange to cover Big Bang. They have included a correspondent from the People's Economic Daily from China, representatives from Australian radio and a television crew from NHK in Japan.

The story has been just as fascinating for television stations in Mexico and Brazil as the US networks.

"I think the media have built it up themselves. I think the name must be partly responsible," added Sir Nicholas, who emphasises to all who will listen that yesterday's events were only one step in a continuing City revolution.

There has also been such interest, Sir Nicholas believes, because Big Bang day has come to symbolise the leap forward London has taken in creating an internationally competitive equities market in line with the Eurobond market.

The tales of "golden hellos" and young men earning £100,000 a year and driving Porsches might also have had something to do with it.

Miss Sheila MacVicar, London correspondent of the Canadian Broadcasting Corporation, was in no doubt why she was there with her camera crew.

There was considerable interest because Toronto was keen to plug into the 24-hour world market. But CBC was also interested in the social implications—"how bowler-hatted gentlemen with rolled umbrellas who lived stable lives with their dogs in the country" were bringing themselves into the 21st century.

"There was never any question that we would do the story," Miss MacVicar said.

ARD, the first West German television channel, was not nearly so sure. The word came through to London yesterday morning, drop Big Bang and concentrate on Mr Jeffrey Archer, former Conservative Party deputy chairman.

Mr Andrew Carnegy, who co-ordinates ARD's television coverage from London, explained: "Knowing what I do about news editors, I decided to go ahead anyway in case they changed their mind and asked for the pictures."

Yesterday the public gallet journalists have a look lery was closed until 11.30 to

The Stock Exchange has coped well with the Big Bang media watchers. "The press have always been unfailingly well behaved," Mr Luke Glass, the Stock Exchange press officer, said.

FT COMMERCIAL LAW REPORTS

Claim untainted by German offences

EURO-DIAM LTD v BATHURST

Queen's Bench Division (Commercial Court): Mr Justice Staughton: October 1 1986.

AN ENGLISH insurance contract legally made and performed in the UK is not tainted and rendered unenforceable by breaches of foreign law which did not contribute to the loss claimed unless the insured needs to plead or prove the illegality to establish his case, or the claim is so closely connected with the proceeds of crime as to offend the conscience of the court.

Mr Justice Staughton so held when giving judgment for the plaintiff insured, Euro-Diam Ltd., on its insurance claim against the representative underwriter of two Lloyd's syndicates.

HIS LORDSHIP said that Euro-Diam dealt in diamonds and supplied them to wholesalers in England and abroad.

In November 1981 Mr Bonim, an Israeli citizen who was concerned in the import of diamonds into West Germany, came to see Euro-Diam. He said he required diamonds to be sent to Germany and sold there. It was agreed that if a diamond were sold in West Germany Euro-Diam should receive its stated minimum selling price and any unsold diamonds would be returned.

Most of the diamonds were sent by registered mail to Verena, a German company which was also concerned in the transaction.

In January or February 1982 Mr Bonim came again to London and a second transaction was concluded with Euro-Diam. A list was prepared of the diamonds, the prices stated totalling $222,416. The diamonds were dispatched by registered post to Verena. An invoice was prepared stating the price to be $131,411. It was issued in that way at Mr Bonim's request.

Euro-Diam did not go into the reasons for the request but merely acceded to it. It must have been obvious that the purpose of the invoice was to deceive somebody. On the balance of probabilities Verena presented the invoice to the German customs authorities as evidence of the value of the diamonds, on which turnover equalisation tax would be calculated.

The transaction between Euro-Diam and Mr Bonim or Verena was one of sale or return. The most likely relationship between Mr Bonim and Verena was that of agency or joint venture. In part Mr Bonim was carrying on his own business.

On May 24 1982, it was said, a theft occurred. A box containing diamonds kept in Verena's office disappeared during working hours. There was a loss of $142,173 which was covered by a contract of insurance in favour of Euro-Diam.

Offences had been committed in connection with the diamonds: by Verena in that tax should have been paid on the true value of the diamonds; by Euro-Diam in that it made out incorrect records (but it was not subject to German jurisdiction and what it did was not done in Germany); by Mr Bonim, in that he lived and worked in Germany without a residence permit, and that he failed to report the commencement of his business to the German authorities.

The question was whether the breaches of German law afforded the insurers a defence to the claim, wholly or in part.

The insurers said it was an implied term of the insurance contract that the adventure would be carried out in a lawful manner.

The implied term was said to arise from section 41 of the Marine Insurance Act 1906: "There is an implied warranty that the adventure insured is a lawful one . . ."

The contract was not one of marine insurance, so the act was not in terms applicable. But it was an Act to codify the common law, some aspects of which were equally applicable to non-marine insurance. The question was whether section 41 reflected the common law applicable to all classes of insurance, or was peculiar to marine insurance.

Non-marine insurance did not in general constitute an insurance on an adventure but on property, whereas marine insurance was on an adventure.

If there was no adventure in a non-marine policy the implied term suggested by the insurers made no sense. The argument was therefore rejected. Had it been accepted it was doubtful that the implied term would embrace foreign illegality as well as illegality under English law.

The next question was whether the claim was tainted with illegality. In the context of a contract and illegality "tainted" meant that while the contract itself was not illegal it had a connection with some other illegal transaction which rendered it obnoxious.

The contract of insurance was not itself illegal. Neither the making of the contract nor its performance by the payment of premium and claims was illegal by English law. The question was therefore whether it had that degree of connection with illegal acts in Germany which would render it tainted and therefore unenforceable here.

One could divide the question into two parts: first, if the acts concerned had been illegal by English law, would the contract of insurance have been enforceable? Second, if so, did the rules of conflict of laws justify reference to German law?

In *Geismar [1978] QB 383* a plaintiff failed in his insurance claim in respect of stolen jewellery which he had brought undeclared into the UK and on which he did not pay customs duty. Mr Justice Talbot said that to allow him to recover would have been "to allow him to recover the insured value of the goods which might have been confiscated at any moment, and which therefore were potentially without value to him."

In *Bowmakers v Barnet Instruments [1945] KB 65* it was said that a plaintiff failed if he had to found his claim on an illegal contract, or to plead its illegality in order to support his claim. And in *Beresford [1938] AC 586* it was said that "a man is not to be allowed to have recourse to a court of Justice to claim a benefit from his crime." The precise degree of proximity between a plaintiff's claim and criminal behaviour necessary to bring the *Beresford* principle into force would vary with the circumstances of a particular case.

A plaintiff might be said to be tainted with illegality in English law by virtue of the *Bowmaker* principle if he needed to plead or prove illegal conduct in order to establish his claim; or by virtue of the *Beresford* principle if the claim was so closely connected with the proceeds of crime as to offend the conscience of the court.

The case would not be within the *Bowmaker* principle because Euro-Diam did not need to plead, or prove, or show in the course of opening its case, any of the illegal acts which had been committed. As to the *Beresford* principle, the claim did not represent the proceeds of crime at all, directly or proximately.

Geismar's case was distinguishable. The illegality there went directly to the plaintiff's possession of the goods stolen, whereas here the title of Euro-Diam was not in any way affected by illegality. Nor would the conscience of the court be affronted if Euro-Diam were to recover. Public policy did not require that it be deprived of its claim. The claim was not tainted with illegality.

In the light of that conclusion it was not necessary to consider whether the rules of conflict of laws justified reference to German law. The court did so in case it was wrong on the first question.

In every case involving a foreign element it was necessary to consider three preliminary matters: what was the legal topic with which the case was concerned; what was the connecting factor prescribed by the rules of conflict of laws for assigning cases on that topic to a particular system of law; what system of law did the connecting factor point to in the case before the court?

In the present case the topic was enforcement of a contract associated with illegality. The connecting factor, in general terms, might be one of three as set out in Lord Justice Diplock's judgment in *Mackender [1967] 2 QB 590, 601*—forum, proper law and place of performance.

None of those connecting factors pointed to German law in the present case. The forum was English law; the proper law of the insurance contract was English; the place of performance of that contract was England.

From the authorities it was concluded that when an English claim was said to be tainted by foreign illegality, one must first inquire whether, applying the appropriate connecting factor, the transaction from which the taint was said to arise would be enforceable here. If not, one had next to decide whether there was sufficient connection between that transaction and the claim to amount to taint within the *Bowmaker* or *Beresford* principle. If the answer to that second question was yes, the claim was unenforceable here.

Applying those conclusions to the present case, an English court would not enforce a contract to deceive the German customs authorities in Germany, since Germany would be the place of performance. Nor would it enforce a contract by Mr Bonim to reside in Germany without a permit, or to carry on business there without notifying the local authority, for the same reason.

German law was therefore potentially relevant thus far.

But the second stage of the inquiry was whether there was sufficient connection between the insurance claim and those activities to amount to taint. There was not. So German law was no obstacle to the success of Euro-Diam's claim.

Judgment for Euro-Diam for $142,173.

For Euro-Diam: Jeffrey Gruder (Ince and Co).

For Mr Bathurst: Julian Malins (Glyde and Co).

By Rachel Davies
Barrister

UK NEWS

Nuclear spotlight on Dounreay

BY A SPECIAL CORRESPONDENT

THE phenomenon of lengthy nuclear public inquiries has switched from Suffolk on the east coast of England and the proposed Sizewell B reactor to Thurso, the most northerly town on the British mainland.

After nearly seven months, the end is in sight to what has already become Scotland's longest planning inquiry, into proposals for a £300m plant to reprocess spent European nuclear fuel at Dounreay, nine miles from Thurso. The hearing was originally expected to last only six weeks.

The Sizewell inquiry, for which the inspector's report is expected to be delivered to the Government shortly, set a UK record of 340 days in sessions spread over 27 months. It was conducted largely in a good-humoured atmosphere but the Scottish hearing – over 80 sessions since April – has been marked by acrimony and distrust.

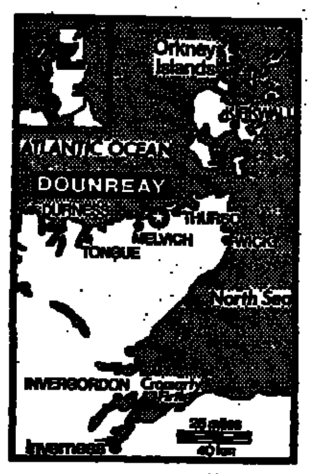
The battle lines are clearly drawn over joint plans by the UK Atomic Energy Authority (UKAEA), which runs the existing nuclear development establishment at Dounreay, and British Nuclear Fuels to build a reprocessing plant to recycle fuel from several European "demonstrator" fast reactors.

Unlike the Sizewell inquiry, which was dominated by national issues of energy economics and reactor safety, the Dounreay debate has centred on local employment and a perceived risk to health and the environment.

Posters in Thurso town centre declare support for Dounreay from traders, unions, the community council and even seven local doctors, who see a greater threat to health from unemployment than from radioactive discharges.

Thurso is very much a company town. A UKAEA information centre gives away postcards and plastic bags. The electricity board showroom sells a pinball game on the theme of a nuclear plant. In the past quarter of a century, the authority has built 800 homes in the town and the population has grown, since the arrival of nuclear activities, from 3,300 to over 10,000.

The posters tell a different story in port towns such as Invergordon, which could be chosen to receive shipments of irradiated fuel, and in Orkney and the Shetlands. There, particularly in the islands, live the most vociferous opponents of the scheme, people who are worried about the environmental risks to their fishing, farming and tourist industries.



The Dounreay plan has aroused no opposition from the local planning authorities, which are of the opinion that there will be no environmental damage and are aware of the economic benefits. There are already 2,300 UKAEA employees at Dounreay, home of a demonstration fast-breeder reactor, two fuel reprocessing plants and waste treatment and storage facilities.

The proposed reprocessing plant is expected to create 250 construction jobs at the peak of a seven-year building programme and to employ a permanent workforce of between 600 and 700, of whom 250 might be filled locally.

Nearly 800 letters of support for the new plant have been delivered to the inquiry, although these have been outnumbered by more than 2,000 letters of objection and petitions containing nearly 20,000 names.

The inquiry is being conducted by Mr Alexander Bell, the reporter, which is the Scottish equivalent of inspector. His remit was drawn up by the Scottish Office and confines the inquiry to local issues, other than on medical matters. The medical debate has largely surrounded the discovery of a cluster of five child leukaemia cases in the Dounreay area. The UKAEA dismisses claims that routine radioactive discharges could be responsible.

Over the next two weeks, further evidence will be heard from objectors, including a group from Norway concerned about seaborne pollution. This will be followed by the final submissions. Mr Bell expects the inquiry to end by mid-November and to report to Mr Malcolm Rifkind, the Scottish Secretary, in the spring.

The Scottish Conservation Society is already planning to challenge the minister's decision in the courts should it be in favour of the plant. Dr Kenneth Delbray, leading the society's case to the inquiry, says the appeal would claim that the inquiry was unjust because of the imbalance between the resources of the objectors and the nuclear industry and the practical difficulties for those wishing to attend.

Independent objectors from Orkney and the Shetlands have had to hold fund-raising events and take time off work to challenge the evidence of the nuclear industry.

Similar bitter complaints about relative resources were made over Sizewell B, but in other respects there are stark contrasts between the styles of the two inquiries.

In Suffolk, the hearings were held in the Snape Maltings concert hall and cost an estimated £15m. At Thurso, the inquiry is held in the sombre town hall and the bill is not expected to exceed £1m, part of which will be paid by the Scottish Office.

Sir Frank Layfield, the Sizewell inspector, ruled over that inquiry with a rod of iron. At Thurso, the procedure is much less formal and Mr Bell has been involved in exchanges including one rumpus in which he told Mr Robin Barratt, QC, for the applicants, to "be quiet."

THE ARTS

Galleries/William Packer

Fact into abstract

What had become almost a tradition at Annely Juda Fine Art — putting on each autumn a major exhibition founded upon the constructivist tradition in modern art — has been carried on most happily since that gallery's amalgamation some years ago with the old Rowan Gallery of Bruton Place. This year's exhibition, filling all three floors of the Juda Rowan Gallery (11 Tottenham Mews, off Tottenham Street, W1; until December 19), is called *From Figuration to Abstraction* which is intended to make it plain that abstract artists could always paint and draw from the figure or from nature perfectly well. Certainly it does that, but it also does something rather more serious and significant. For, by the simple device of setting the later work, which is usually the abstract or at least much abstracted, against the earlier and figurative, we are shown time and again that the one is clearly derived from the other, even though its evolution may be much extended.

The scope of this exhibition is considerable for one that is comparatively small and circumscribed in its selection, amounting to some 60 works from 25 artists that bring us from the first decade of the century to the present day, from Mondrian to Bridget Riley, from Picasso, Schwitters and Henry Moore to Anthony Caro and Nigel Hall. And to make its point it gives us work that it not only fascinating but often extremely beautiful. It is not just wishful thinking, or critical hindsight, that allows us to detect something of the linear and structural discipline of Mondrian's later severe simplicity in his small painting, circa 1903, of hedgerow trees and bushes. It is rather more than its critical significance that makes it so covetable.

The dark green Schwitters landscape of 1917, with its rich impasto worked with so active an expressionism, a simple image of a lane between heavily overhanging trees, is again a wonderful painting for itself alone, quite apart from the hints it gives us across its facetted image of the flatter, abstracted, disintegrative collage images to come. A delicious early Ben Nicholson house in a landscape sits beside an ineffably elegant pavatex relief — whatever pavatex is — of 1961 that is so clearly the work of the same judicious hand, and eye too, for the universal simplicities of architecture. Bridget Riley's pink pointillist landscape of 1960 hangs beside a recent painting of vertical stripes of pink, blue, yellow and green, and not only are the colours themselves, and their pitch and tonal values still virtually identical, but they sing together.

Early and late, the comparisons and teasing juxtapositions go on: the landscape behind Malevich's cubist peasant of 1911 recedes by the same formal, somewhat wonky perspective he uses in his suprematist drawing five years on; and is it pure indulgence to pick out, in the beautiful portrait by Vantongerloo of 1915, of a Dutchman set against a bright red background, the same sweeping, clean and active curves of his disarmingly simple abstract painting of 1939? Of course not.

*

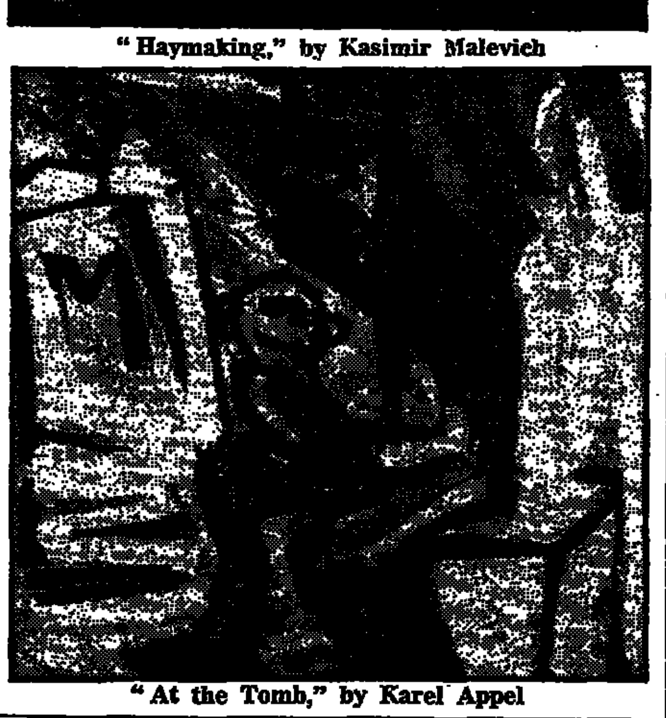
The exhibition of recent paintings by Karel Appel at the Arnolfini Gallery in Bristol (until January 4, then to the Douglas Hyde Gallery in Dublin: sponsored by HTV, Visiting Arts and London Life) is an exercise not so much in looking back to make comparison with the early work of an important artist, but rather in recalling him to present attention for the sake of current reference. Appel as a young artist in the immediate post-war years was a major figure in COBRA, that short-lived but influential connection established between artists in Copenhagen, Brussels and Amsterdam, who were investing the active expressionist tradition with a symbolic primitivism, close to Art Brut, the naive and child art, and close to the roots of the abstract expressionism of the New York School.

COBRA disbanded in 1951 but its artists continued as active as ever, none more so than Appel who by the end of the decade was established in New York, where he still spends half of every year. But the sheer scale of the critical and mercantile success of the new American painting from the late 1950s on threw the equivalent European schools into critical confusion and an eclipse that was to last far too long.

But since the late 1970s a resurgent European figurative expressionism, whatever its manifold sins and wickednesses might be, has served to dispel the gloom at last. And out into the light, restored once more to some critical respectibility have come a number of interesting and substantial figures, not least of them Karel Appel who had been working away all the time.

A lengthy interval will naturally exaggerate the changes and developments that may have taken place in the work since we saw it last, and it would be easy enough to suspect an artist such as Appel, in the circumstances in which he now finds himself, of a certain latterday opportunism, but it would hardly be fair. It is quite clear from the work itself that Appel is his own man, and it shows him to be true not only to himself but to his generation and to the older European tradition from which he sprang, by the variety of his interests and imagery, and his preparedness to experiment and change. There is nothing here of the orthodoxy or straight-jacket of a consistent style and technique, and an imagery predicable and identifiably his own. His paintings interest and absorb him for themselves, and he is quite happy to let them lead him on where they will — which gives them room to engage us too.

"Haymaking," by Kasimir Malevich



"At the Tomb," by Karel Appel

Mozart and Salieri/Edinburgh

Arthur Jacobs

"You are a god!" says Salieri to Mozart—genuinely admiring, yet envious enough to kill him. No, this was not *Amadeus*, but Pushkin's play, *Mozart and Salieri*, as turned into an opera by Rimsky Korsakov in 1897. Pushkin not only seized on the rumour (groundless, according to historians) that Salieri poisoned Mozart, but anticipated Peter Shaffer in depicting Salieri as the rigidly conscientious pedant, Mozart as the madcap genius.

Since the opera actually quotes Mozart's Requiem, it was a splendid idea of the Scottish National Orchestra to follow a concert performance of the opera at the Usher Hall with the requiem itself. But if one asks why the success of *Amadeus* has not engendered a whole spate of revivals of the opera, the answer is that it is not a very good one. The tunefulness which is such an attractive feature of Rimsky's operatic style is unprofitably sacrificed for the kind of continuous recitative which had been pioneered by Dargomizhsky (to whose memory the opera is dedicated). The mock-Mozart offered by the score rings hollow.

Yet this was emphatically an exploration worth making. A performance in English would at least have conveyed a drama of personalities; a performance in Russian with two native singers could have claimed authenticity. Here, unfortunately, was neither. The piece was sung in Russian, with the role of Salieri allotted to an excellent Soviet bass, Anatoly Safiullin, but with Martyn Hill as Mozart. Even listeners unaware of his mistakes in Russian may have sensed the lack of those strong final consonants which are so much a part of the Russian vocal style. Moreover, though he surprised and pleased the audience by actually playing the piano as this Mozart is required to do, his voice carried nothing like the strength and character which it was to show in the Requiem.

This programme (sponsored in Edinburgh by Christian Salvesen PLC) did not demand the more vivacious and colourful playing which has been lately remarked in the Scottish National Orchestra's work, but drew a sympathetic handling from its principal guest conductor, Matthias Bamert. In the Requiem (performed in the traditional version with Süssmayer's completion), Mr Safiullin further exhibited his superior gifts, Penelope Walker gave generous tone to the alto line, and Joan Rodgers sang capably but could not quite manage the smoothness which should make the soprano's final entry seem almost literally a benediction. More warmth would have been welcome from the SNO's chorus: their sopranos tended to tremble when attempting a *pianissimo*, and the too lightly baritone-ish sound of the basses suggested that a blood-transfusion from Yorkshire would not come amiss.

Uchida/Elizabeth Hall

Dominic Gill

A sold-out hall greeted Mitsuko Uchida on Sunday afternoon for her first solo recital on the South Bank for many a moon. Perhaps it was the atmosphere, charged with high expectations, which encouraged her to launch at such high voltage into the opening piece of her programme, Beethoven's 32 Variations in C minor. It was a brilliant, splashy account, which correctly retained the basic pulse throughout every variation, and which at its best had splendid crispness and clarity. I wonder all the same if she did not choose to start slightly, but critically, too fast? The theme itself gains weight when it is more deliberately announced, and in the faster variations the triplet semiquavers are more like knife-edge volleys than hectic switchback rides.

The whole manner of her reading of the Schubert sonata which followed—the unfinished C major—spoke impressively of the grand and monumental, tempered in its violence by a second subject of exquisite delicacy. (One reservation only: although the occasional expressive fades to quadruple-pianissimo would have made their point keenly in a smaller hall, here they tended to approach the outer limits of audibility.) The andante was a gripping distillation, the focus powerfully close, sombre and beautiful.

After the interval she gave just two works by Chopin: a luminous account of the early but posthumously published C sharp minor Nocturne, crystalline, cloudless and nocturnal; and the B minor sonata. It was specially good to hear the sonata with its first-movement repeat, for once in authentic scale with the rest. Much of the scherzo's articulation was breathtaking. In the Largo, Uchida found her most original and compelling voice: a vision, over a broad dynamic range, of tranquillity and repose, almost entirely unruffled—a more richly pedalled and subtly perfumed version of the sound-world of her Nocturne. The finale was masterly: bright and vivid of colour, unrelenting of impetus.

Philharmonia/Festival Hall

David Murray

Though late Haydn and early Sibelius are not natural bedfellows, Esa-Pekka Salonen's programme with the Philharmonia on Sunday was at least fresher than most this season. Of the Sibelius op. 22 the Four *Legends* (about Lemminkainen, one of the rough heroes of the Finnish *Kalevala* epic), only "The Swan of Tuonela" is well known. The complete set was very welcome; and the Philharmonia's first trumpet John Wallace is welcome in Haydn's Concerto any time, and the 99th Symphony (in the same key, E-flat) sits well with it. A good evening, then—which might have been better still.

There are always precocious teenagers who can trumpet the Concerto with gleaming precision. Wallace did more: he gave it verve and wit, and sharp individual curves. In the Andante his expressive legato was splendid, not cautiously constrained — for any lapse would be horribly exposed — but free and candid. For the first-movement cadenza he had the risky inspiration of adding a passage for clapped mouth-piece (instead of blowing: you *can* produce pitched notes that way). I see no reason why a modern cadenza shouldn't offer modern tricks, but in the event it was surely over-anticipation that caused him two plain fluffs just before the joke.

Salonen kept Haydn's Symphony no. 99 crisp and forward-moving. Somehow the slow Introduction gave no springboard to the first-movement Vivace, which started up as if from nowhere in particular, and in general the broad symphonic proportions were much less clearly marked than details. There were many bright details, but the rich role of the wind-band in the Adagio was underplayed; the whole Menuet was undanceably swift and therefore impersonal, and the jokey counterpoint of the Finale too prim.

Learning how to do justice both to Haydn's air of cheerful directness *and* to his formal elegance is of course a matter of slow, non-theoretical experience. Salonen would be further ahead if he were better at paragraphing, as his Sibelius *Legends* revealed. "Lemminkainen's Journey Home" got the uncomplicated urgency it needs, and in the Swan" Salonen properly allowed cor anglais (Gillian Woodrow) and cello (Andrew Shulman) a full share in shaping the piece. The main interest of the other Lemminkainen's pieces lies, however, in their half-developed symphonic progress through their diffuse material; here, each new idea seemed to arrive without preparation. The local colour was lively, but whatever holds each tale together musically was left pale. These stories need more cogent punctuation.

Mignon, Tancredi/Wexford Festival

Max Loppert

This is the year that Wexford, in common with other Irish arts festivals, had to operate entirely without public funding. From all the evidence, and in spite of minor signs of desperation (such as the new single-ticket rule for critics), it is clear that anyone and everyone connected with the opera festival came back fighting. Ticket sales went faster than ever; and performances have been on the highest level this extraordinary enterprise can reach—that is to say, not free of miscalculation or mishap (what with ferry strikes and gales on the Irish sea, there has been a good deal of that in production routines), yet miraculously fresh, imaginative, and vital. Add to that a quite brilliantly contrasted choice of works, and the result is the best Wexford in years—certainly the best I have ever attended.

The least well known of the 1986 three operas is Humperdinck's transportingly beautiful *Königskinder*, which must have a separate report all to itself. The smash hit has been Ambroise Thomas' *Mignon* (1866), one of the favourite works of its day, condemned to a twilight, semi-forgotten existence in ours. No-one will want to make out that it is in any way an "important" work; no-one (surely) need worry any longer about the artistic distance between Carré and Barbier's libretto and the Goethe novel, *Wilhelm Meisters Lehrjahre*, that was its source.

What this sparkly, inexhaustibly inventive Wexford production by Richard Jones triumphantly demonstrated is that *Mignon* remains one of the most wholly delightful of Parisian operatic entertainments. The Opéra-Comique of the 1860s was a factory where streamlined artistic formulas were fulfilled to the letter of audience expectation (at least until *Carmen* came along a decade later to shatter the mould forever). On this showing *Mignon* is the most resilient kind of Opéra-Comique artefact—not deep, not revolutionary, but worked with immense delicacy and skill, and richly supplied with memorable melody. Its neglect really was undue.

Taking pleasure in the production was indeed the same as taking pleasure in the work: this was a late-20th-century backward glance — affectionate, witty, and elegant as cut glass — at the whole *opéra comique* form. Richard Hudson's sets and costumes referred to old theatrical prints; a re-invented use of footlights contrasted with a more modern, "psychological" lighting plot (by John Waterhouse) to place period and style. The clichés of the piece were set, as it were, in quote-marks (in the opening drinking chorus the motionless formations cut right across the "rhubarb-till-ready" convention of such numbers); the tender emotions of the work, and the special fascination of the heroine — she runs through the piece like a "thread of gold" (Carlyle's phrase for the Mignon of the novel) — were treated with unpatronising simplicity and directness.

Mr Jones, who last year staged a no less inventive *Rake's Progress* for Opera 80, is clearly a producer to watch. Not everything came off on opening night, yet his command of theatrical space and his feeling for theatrical texture and timbre made one long for this production to be snapped up forthwith by one of our own companies. *Mignon* deserves to come back — especially in the originally *opéra-comique* form (i.e. with spoken dialogue) in which it was here performed (as with many other successful operas, several later and less effective editions became more common). There were no native francophone speakers in the cast, and only Philip Doghan, as the actor Laërte, spoke and sang French with any sort of idiomatic ability.

As Mignon, Cynthia Clarey, now an established Wexford favourite, gave an extraordinarily touching, detailed, and subtle performance. Though the otherwise first-rate conductor, Yan Pascal Tortelier, took "Connais-tu le pays" far too slowly, she did not let its rhythms droop; she had the strangeness of the role, not just the pathos; her mezzo is capable of glitter (and high-soprano alternatives) as well as limpidity. Beverly Hoch was charming as the actress Philine — light, not too pert, easy in bravura (she skittered up to a G *in altissimo*). The third leading American, Curtis Rayam, didn't exactly look like Wilhelm Meister, aged 20, from Vienna; the voice lacks forwardness of projection. But he won all hearts with an exquisitely gentle delivery of his two airs, finely spun out. The deranged bass minstrel was Teodor Ciurdea, thick and unclear, the single weak spot of a magical Wexford evening.

Rossini's *Tancredi*, that dewy first flowering of his genius, is an opera rather more often revived today (Wexford brings it to the South Bank next month). It is dramatically very weak. Just how weak becomes clearer with each encounter: the *candeur virginale* that Stendhal rightly divined in the music doesn't really sustain a plot in which almost nothing happens. It needs virtuoso singing; at Wexford the singing is very good, if not brilliant, and that is fortunate, for the production is of village-hall awkwardness.

Kathleen Kuhlmann, in spite of a persistent habit of addressing her gaze to the floor, sang the title role in glowing soft tones and full loud, drawing a line at once decorative and classical. Inga Nielsen's Amenaide was a little pale and northern but also very sweetly musical. The problem of the stratospheric tenor father figure common to the serious-heroic Rossini was solved with considerable success by Bruce Ford; Petteri Salomaa (Orbazzano) made one wish he had more to do.

And in the pit Arnold Ostman laid claim to Rossinian expertise a good deal more convincing than in his *Barber* for Kent Opera. For my taste he still tends to hold his singers and their phrases on too tight a rein; but the athletic orchestral articulation lit up the Arcadian beauties of Rossini's writing with a golden brightness. That the RTE Symphony Orchestra could play so well, and so differently, on three successive evenings is another of the minor miracles of Wexford 1986.

van Kampen/Wigmore Hall

Richard Fairman

This programme was what a retrospective should be all about. Sunday night's recital in the Britten - Tippett festival gathered together all of Britten's music for solo cello, a small and self-contained corpus of works that engages the musical senses and the intellect in like measure.

As a survey, it offers a fascinating insight into the mind behind the music. Following the scores, one can almost see Britten at work, as he tests his ingenuity to find new ways of exploiting the cello as a solo instrument. The suites read like a self-imposed puzzle. Each movement puts forward a different logical answer, a series of new forms, new sounds, new technical tricks to go beyond the bounds of what was thought possible.

The fugues are a typical solution. Britten works out the interplay of the parts with such mathematical precision that two or three voices can be kept going simultaneously, but never meet. It is a style that he takes to its extreme in the second suite: now the sort of idea that might have struck the listener as novel or exciting in the other pieces is apt to sound like an arid exercise—definitely for intellectual consumption only.

Yet even here the evening's soloist Christopher van Kampen breathed life and commitment. Any cellist who takes on Britten's solo works must await the inevitable mention of Rostropovich, for whom all these pieces were written, with just about as much dread as tenors anticipate the name Pears.

Nobody is ever likely to equal the sheer panache and big-boned attack that the Russian master could dare in the safety of the recording studio. But there was no lack of excitement here: van Kampen's speeds in the extreme difficulties of the first suite's march and the second's *scherzo* were thrillingly reckless. Only the intonation in the double-stopping left some doubts. In sum, this was a heroic task, nobly undertaken.

John Constable was the accompanist in a well-balanced performance of the Cello Sonata. The hall had a good-sized audience, not all of whom can have been cello students. Perhaps this means the music is beginning to reach a wider audience, a welcome sign as the best of these works rank among the composer's most inspired.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 24-30

Opera and Ballet

PARIS

Music and dance from Bali at the Théâtre de Paris (4278 1954).

Don Carlos alternates with Prokofiev's Cinderella transposed by Nureyev into the Hollywood world of producers and stars. The modern version Cinderella is danced by Sylvie Guillem, Claude de Vulpian, the Prince/actor by Charles Jude/Laurent Hilaire, the Stepmother/producer by Michael Denard/Rudolf Nureyev/Patrice Bart. Paris Opéra (4266 5022).

WEST GERMANY

Berlin, Deutsche Oper: Tosca, sung in Italian, stars Raina Kabaivanska, Cornelia Murgu and Yoko Nomura. Also Heinrich Hollreiser conducting Die Walküre and Das Rheingold in Götz Friedrich's productions with Diane Curry, Lucy Peacock, Martti Salminen and Peter Hofmann. Lucia di Lammermoor and Katja Kabanowa round off the week.

Hamburg, Staatsoper: Die verkaufte Braut will have its premiere this week. The cast is led by Hildegard Hartwig, Linda Plach, Dieter Weller and Martti Talvela. La clemenza di Tito has a strong cast with Judith Beckmann, Daphne Evangelatos, Werner Hollweg and Stafford Dean. Zar und Zimmermann features Marianne Hirsti and Peter Haage. Also in the repertory: La Traviata.

Frankfurt, Opera: La Bohème features Ellen Shade and Alejandro Ramirez. The Masked Ball, sung in Italian, has Ellen Shade making her debut as Amelia and Susanne Freyler and Walter Raffeiner sing in Orpheus in der Unterwelt. A Jewgeni Nesterenko lieder recital closes the week.

LONDON

Sadler's Wells, Rosebery Avenue: Peking Opera (278 8916).

Royal Opera House, Covent Garden: Royal Ballet triple bill followed by The Sleeping Beauty. (240 1066).

SPAIN

Madrid autumn festival presents Spanish Contemporary Ballet Co Carmen Senra. Music by Vivaldi, George Cross, J. M. Jarret and Chick Corea. Teatro Monumental, Atocha 65. (227 1214).

ITALY

Rome: Teatro Brancaccio (244, Via Merulana): The Teatro dell'Opera opens its winter season at its overflow theatre with two ballets: I Pini di Roma by Robert North to Respighi's symphonic poem, and La Boutique Fantasque, with choreography by Lorca Massine, based on that of his father, Leonide, for Diaghilev's Ballets Russes. (46 17 55).

Florence: Teatro Metastasio (Prato): Ballets du Grand Teatre de Geneve in El Publico by Federico Garcia Lorca to music by Bark-Rabe, Phillip Glass and H. le Bars. (Wed and Thurs). (277 9236).

Trieste: Teatro Comunale Giuseppe Verdi: San Carlo di Napoli theatre production of Verdi's Rigoletto, conducted by Hubert Soudant, and directed by Lamberto Puggelli, with Gloria Scalchi, John Rawnsley, Antonio Savastano (Fri, Sun, Wed). (631 948).

VIENNA

Staatsoper: Simon Boccanegra conducted by Abbado with Zampieri, Gonda, Bruson, Raimondi; Tosca conducted by Buckley with Troitskaja, Aragall; Un Ballo in Maschera conducted by Abaddo with M. Price, Pavarotti, Cappuccilli; Elektra conducted by Leitner with Ludwig, Martin, Reppel. (51 444/26 55).

Volksoper: Der Mantel and Gianni Schicchi; Hello Dolly; Orpheus in der Unterwelt; Der Wildschütz. (51 444/26 57).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik, joining Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson; John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry and Leo Nucci; and Madame Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Yoko Watanabe, Vasile Modoveanu and Lenus Carlson. Lincoln Center (362 6000).

New York City Opera (NY State Theatre): The week features Imre Pallo conducting Die Fledermaus in Gerald Freedman's production with Leigh Munro and Theodore Baerg; Don Quichotte, conducted by Mario Bernardi and directed by John Copley, and Mefistofele, La Traviata and Love for Three Oranges. Lincoln Center (870 5600).

Next Wave Festival (Brooklyn Academy of Music): New York debut of European dancer Anne Teresa de Keersmaeker features her work, Rosas Danst Rosas. Ends Nov 2. (718 636 4100).

WASHINGTON

Washington Opera (Opera House): The first week of the season features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevksaya with Elizabeth Knighton, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Handel's Orlando joins the repertory in John Copley's production conducted by Charles Mackerras with June Anderson, Marilyn Horne and Jeffrey Gall. Christof Perick conducts Pier Luigi Pizzi's production of Parsifal with Tatiana Troyanos, Jon Vickers and Hans Sotin. (332 2244).

TOKYO

Folkloric Dance and music from Okinawa. This group of islands south of Japan with a different history and culture from the mainland has only in the last century become part of Japan. National Theatre. (Thur). (265 7411).

Saleroom/Antony Thorncroft

Trio of old masters

Sotheby's is to auction in London on December 10 three important Old Master paintings —a Rembrandt portrait of a young girl, which should top £2m, and a pair of portraits of a man and a woman by his contemporary Frans Hals. The portrait of the man is estimated at £2m; that of the woman slightly less.

All three paintings are being sent from the US, confirming London's status as the centre for the Old Master market. The Rembrandt is the best to appear at auction in over 20 years. It is an early work of 1632 and is believed to be a non-commissioned portrait of an imaginary girl, in which he expresses a fresh, light-hearted touch.

The Rembrandt was in the possession of Prince Johannes II of Lichenstein in 1899 and was bought by Robert Treat Paine II of Boston in 1929. It is sold by his descendents. It has been hanging until now at the Museum of Fine Arts in Boston, who must be a likely buyer. The Hals have been part of the Fogg Art Museum in Cambridge, Mass.

In New York over the weekend Sotheby's set a record for an item of American furniture when an upholstered wing chair, made in Philadelphia around 1770, sold for £762,300 to Eddy Nicholson, who has been a prolific buyer of American furniture in recent sales.

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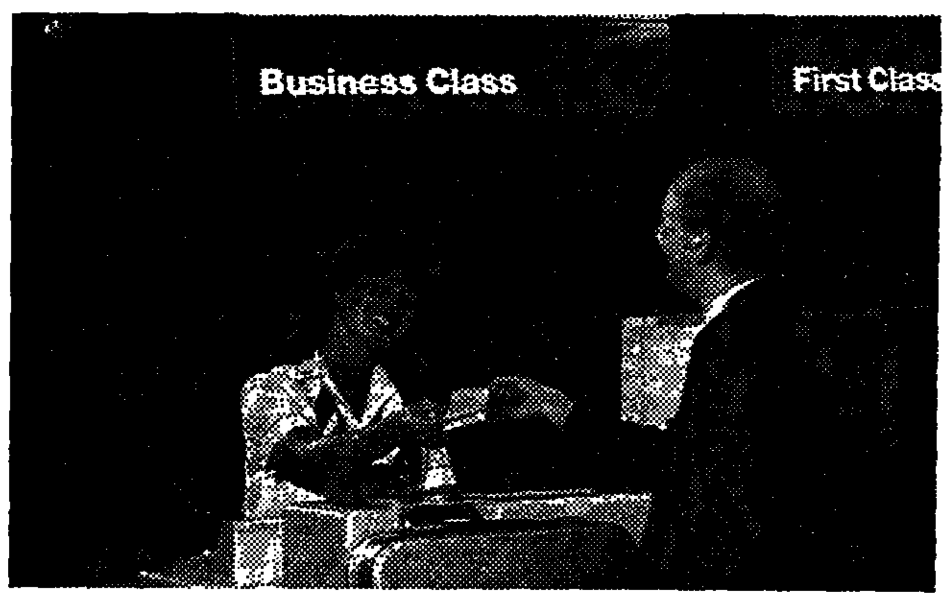

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Tuesday October 28 1986

The powers of parliament

THE House of Commons tomorrow debates the Westland affair, or at least ostensibly. In practice, the debate should be about far more than that. The underlying subjects are the powers of parliament, the role of select committees and the accountability of government to the House. It is very important that MPs should realise that if they want reform in these matters, ultimately it is only they who can bring it about. The Government is not going to do it for them, and indeed at present seems to be doing its best to claw back what powers the select committees once had.

In opposition, Mrs Thatcher's Conservative Party pledged itself to a more open form of administration. Mr Francis Pym, assisted by Mr Leon Brittan, promised a system of departmentally-related, cross-party select committees which would have the power to ask all sorts of embarrassing questions of whomever they chose. As Leader of the House, Mr Norman St John-Stevas duly put the reforms into effect when the Tories came to office. Although it was not an entirely new idea, it was a welcome development towards greater parliamentary democracy.

The Westland affair delivered a severe shock to the new system. As an example of government mismanagement (to put it mildly), it was an ideal subject for scrutiny by select committee. Mrs Thatcher did, after all, lose two Cabinet ministers: there was a time when it seemed that the whole business of government had broken down; and it was all over a relatively minor matter.

Peremptory terms

The select committee on defence thus began its inquiries and reported towards the end of July. Its work was hampered, however, by the Government's refusal to allow key witnesses to appear, by the refusal of some witnesses to answer questions in detail when they did appear, and at times by lack of access to documents central to the affair. Its report was therefore not entirely satisfactory and certainly not definitive.

Paragraph 231 of the report notes: "The explicit authority of the House would have been necessary in order to override any ministerial instruction not to answer our questions." The committee considered seeking such authority, but chose not to do so at the time. Nevertheless, the paragraph stands. It is up to parliament, not to the Government, to decide what is disclosed about government business.

Two weeks ago the Government issued its response to the report in terms so peremptory as almost to imply contempt. In a statement that goes way beyond the confines of the Westland affair, the final sentence of Cmnd 9916 reads: "The Government proposes to make it clear to civil servants giving evidence to select committees that they should not answer questions which are or appear to be directed to the conduct of themselves or of other named individual civil servants."

Admirable attempt

In other words, while the select committees have powers to send for any persons, papers or records they wish, the Government is still entitled to say "no" and even if a civil servant does appear, he or she is under no obligation to answer questions. The Government response says specifically: "A select committee... should not attempt to oblige a civil servant to answer a question or to disclose information which his minister has instructed him not to answer or disclose."

The logical deduction from that statement is that ministerial power is all, unless and until ministers themselves fall foul of parliament.

That is not what the Conservatives promised when they won the general election in 1979. It is doubtful whether it is an efficient way of running an administration in a democracy. And it smacks of the arrogance of power.

It is also not a party matter. It is a matter for parliament as a whole. If MPs have any self-respect, they should make their views known in tomorrow's debate. Otherwise a once admirable attempt at parliamentary reform will have been effectively aborted by the very party which in its halcyon days sought to introduce it.

Italy's choice of partners

WITH THE presentation of Fiat's takeover proposals at the end of last week, IRI-Finmeccanica, the state holding company, and the Italian Government are now in a position to decide the fate of Alfa Romeo. Since details of the rival Ford bid have still not been disclosed, no full judgment can be made from the outside on the relative merits of the two propositions. But the decision in principle to privatise Alfa Romeo is certainly a sensible one. The company has been foundering for many years under public ownership, lacking effective management and sufficient investment to put its two plants at Arese and Pomigliano on a competitive footing worldwide.

Given the structural overcapacity in the European motor industry, Italy is fortunate to have not one but two of the world's major producers anxious to use Alfa as the basis for strengthening their positions in the medium and high performance car market.

The Fiat group's industrial and financial recovery in the last five years has been impressive by any standards. In view of its prestige as a national flag carrier, it would be surprising if there was not already a strong prejudice in its favour within both IRI-Finmeccanica and the Italian Government.

Political influence

Nevertheless, the decision needs to be made on commercial, industrial and technical criteria. In the light of Fiat's dominance of the Italian market and its strong position in Europe as a whole, the Italian authorities should, in theory at least, have less reason to fear the political repercussions of a Ford-Alfa deal than did the British Government when it faced a similar situation a few months ago. The sale of Leyland Vehicles to General Motors and of Austin Rover to Ford would have put virtually the whole of the British industry under foreign control—which is certainly not the case with Alfa.

In Italy there has been a tendency for industrial decisions to be submerged by party political considerations. It is especially important that these pressures should be resisted in the case of Alfa, because of IRI's unfortunate experience last year in trying to sell SME, the foods group, to Mr Carlo De Benedetti. The IRI initiative was blocked partly because the state holding group traditionally falls within the Christian Democrat sphere of influence. The sad reality in Italy is that the huge public companies such as IRI and ENI are still viewed by Italian politicians as sources of patronage exploited for political aggrandisement.

The disposal of Alfa should be determined principally by a judgment as to which prospective owner is more likely to be able to restore the famous marque to some of its former glory. This involves balancing the rival investment and product development plans one against the other and against the best possible projections of developments in the prestige car market.

Healthy stimulus

Fiat's proposals promise much for preserving and developing the independence of Alfa. But they are predicated on a much stronger penetration of the European market by the new Lancia-Alfa company than both marques have seemed capable of separately. The US market may, therefore, assume more importance for the necessary increase in Alfa production than the Fiat plan allows, and there Ford can offer an advantage in terms of marketing and distribution.

The question also arises as to whether Fiat's current dominance of its domestic market should be raised to just over 60 per cent by the acquisition of Alfa. The Turin group rightly points out that the Italian market is open to all its rivals (except the Japanese whose sales are kept at a minimum by an anachronistic 32-year-old intergovernment agreement) but monopoly power tends to be self-reinforcing, hostile to new market entrants and, ultimately, limiting on consumers' choice. It could be argued that the entry of Ford into the Italian industry, through the purchase of Alfa, would provide a healthy stimulus to competition.

The decision needs to be seen as free of any nationalist prejudice and certainly free of any suggestion of political trade-offs between the Fiat group and the main political parties. If the merits of the case point in the direction of Ford, a decision in its favour would demonstrate a relaxed attitude towards foreign investment in a key sector and would be a welcome sign of maturity in "the new Italy."

THE PHILIPPINE ECONOMY

A long, hard road ahead

By Steven Butler

MEXICO HAS a singular meaning in the Philippines. Mexico means growth. It symbolises the willingness of multinational agencies and commercial banks to countenance a expansionary programme that allows a country to pay back its debts after growing.

Yesterday in New York, the Philippines began talks with representatives of its 483 creditor banks that will test just how much the world's banking community has accepted this new idea. The Philippines is seeking to reschedule $3.6bn of debt falling due over the next six years, and to renegotiate a rescheduling agreement reached in May 1985 that covers $5.8bn. The Philippines had a total foreign debt of $26.5bn at the end of June, placing the country in the middle rank of the debtors' league. Mexico owes $100bn.

But the future of the Philippines still hangs on the success of the New York talks, and more than the economy is at stake. The fledgling government of Mrs Corazon Aquino needs jobs and resources to promote stability. After coming to power in a popular-backed military revolt in February, it must restore government services, especially in the countryside, if it is to defeat a communist insurgency that remains unchecked.

The Philippines can in a literal sense pay its debts, thanks in part to a readjustment programme over the past 30 months that has produced price and exchange rate stability, and acceptable balances in the trade and current accounts. Capital flight has ceased, and foreign exchange reserves are growing.

Yet while the vital signs are healthier, the patient is too weak to move. The economy, at best, is at a dead standstill, after contracting by over 10 per cent since the end of 1983. Economists reckon that 20 per cent of the workforce is unemployed, 30 per cent underemployed.

It is hard for the visitor to fight back his regret for lost opportunities. The Philippines in the 1950s was one of the wealthiest, most promising nations in Asia. Now it is technically eligible for poverty assistance in the same categories as the poorest in Africa.

Manila was a robust, cosmopolitan regional centre. It is now in relentless decline, overtaken by many of its nearest counterparts. Thousands of homeless children roam the city, selling single cigarettes or flowers at street corners, or just thrusting an open hand through the window of an idling car. The nation's roads and irrigation facilities, its buildings and bridges are gently falling apart.

Domestic demand in the Philippine economy has collapsed, prices for export commodities have fallen often below production costs, and company balance sheets have deteriorated badly. This integrated mutually reinforcing process of decline has left the economy prostrate.

If the Philippines does not reschedule its debt, payments will gobble up a projected 40 to 50 per cent of foreign exchange earnings over the next six years, and would force the Philippines to accept a growth rate estimated by one international development agency at just over 1 per cent.

With population growing at 2.5 per cent a year, and per capita national income having fallen by about 20 per cent since its peak in 1981, this is an unacceptable choice.

Mr Jaime Ongpin, the Philippine Finance Minister, has said that the Philippines will push for a programme that is more favourable than Mexico's on the grounds that the Philippine economy is in better shape. In Mexico's recent agreement, banks granted a seven-year grace period and stretched out maturities to 20 years, with an interest rate of 13/16 per cent over the London interbank offered rate (Libor).

With the Philippines paying 1¼ per cent over libor on its last rescheduling agreement, the Government is asking banks to take a hefty slice off the bottom line.

Although neither Mr Ongpin nor Mr Jose Ferndandez, the Central Bank Governor, have spelt out their precise negotiating positions, other ministers have mooted the possibility of an interest rate set at Libor, a growth contingency mechanism that would allow the cfiountry to tap funds in case growth falls short of targets and a trade-linked repayment scheme that would allow the country an index of terms of trade or to prices of a basket of commodities.

These sorts of goals, if they are actually pursued in New York, are sure to encounter strong resistance by the banks.

The Philippines faces no immediate crisis if the talks drag on. The agreement with the IMF, approved last Friday, will lead to the availability of $1bn of new money.

"Certainly we have all the financing we need (for next year)," said Mr Ongpin recently. Yet the money will not last long if the banks do not agree to postpone principal payments that fall due next year.

Even a highly favourable agreement, however, will not pull the Philippines out of trouble by itself. Ten days ago, Mr Ongpin confidently predicted that the Philippines in 1987 would "have a fine year and meet our growth target of 6-7 per cent."

Yet few outside the Government believe the economy will grow by anything like that next year, or that the Government's target of an average of 6.5 per cent growth over six years bears any resemblance to reality.

Most observers do agree, however, that the economy has bottomed out and that, aided by an IMF-approved expansionary fiscal policy for this year (this allows the Government to spend in deficit up to 4.4 per cent of the GNP) growth is set to resume.

Unfortunately, much of the deficit spending has been absorbed in writing off bad debt in government banks, as a prelude to IMF-mandated privatisation.

This leaves as the rather shaky centrepiece of the Aquinho Government's economic plan a Pesos 4bn rural spending programme.

"It (the rural spending programme) will turn around the economy," says Mr Fernandez, "because it will generate some end demand which will hopefully begin to get the private sector in the manufacturing areas turning their wheels again."

The economic options are limited by the country's historical inheritance. In the 1970s the Philippines was out of step with much of the rest of Asia, in adopting an inward-looking, import substitution strategy, rather than seeking export-led growth.

In the early 1980s, problems multiplied as prices for the country's major export commodities fell, while petroleum prices and interest rates rose. The Government refused to adjust the exchange rate, and borrowed to compensate.

Perhaps the bitterest disappointment of Mrs Aquino's revolutionary Government is that, of the $10bn to $30bn that Mr Marcos scared out of the country between 1983 and 1986, none has come back. Domestic businessmen have not yet seen fit to invest without a pick-up of demand, and foreigners have stayed away.

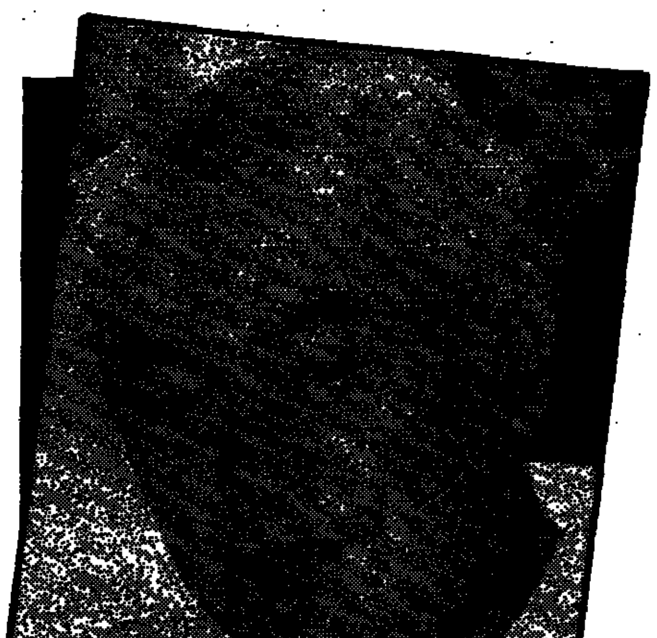
In the longer term, the country certainly has economic potential; a skilled, relatively low-paid workforce, which speaks English and rich agricultural land.

But prices of its key commodities — sugar and coconut products—are deeply depressed and show no sign of recovery.

At the same time the industrial infrastructure is weak and the option of mass-producing light manufactures, such as textiles, for export, is ruled out by the current climate of international trade.

It amounts to a sobering picture. But successful negotiations with creditor banks will at least make it possible to start the long process of recovery.

A stern steward from the Marcos era



If any man deserves the title of "steward" of the Philippine economy, it is Mr Jose "Jobo" Fernandez (right). He is one of the few senior officials to have been retained from the Marcos era, on the insistence of Mr Jaime Ongpin, the Finance Minister. These two men are key members of the negotiating team now in New York.

Mr Fernandez is a controversial man. He became the object of strong attack in the spring when economic reformers raised a rallying cry of "no more Jobo bills" — referring to the high-interest Central Bank bills Mr Fernandez issued in 1984 to suck excess liquidity out of an economy with 50 per cent a year inflation. The move precipitated a sharp contraction in the country's business.

He was appointed to clean up the Bank in January 1984 after it came to light that the previous Governor had intentionally overstated its foreign exchange reserves by $600m.

Having led the process of retrenchment, Mr Fernandez is now ready for the next stage.

"I assumed that (retrenchment) was necessary for the Philippines at that stage of crisis," he said in Manila just before leaving for New York. "But I certainly do not look at that as the be-all and end-all of existence, just to adjust the country to death. We have to (have growth). We have got unemployment, poverty, constant increments in population. Any policy mix that does not recognise this is just not realistic."

Mr Fernandez is convinced that an agreement can be reached that meets both the growth objectives of the Philippines and the interests of the banks.

"Most of those banks have been dealing with the Philippines for a long time," he says. "This government is infinitely more credible than the last one. I had to deal with that and I know what it meant. There is acknowledgement that the programmes would probably be better handled, with less wastage, less leakage. From the viewpoint of a creditor this is very important."

Mr Fernandez, however, does not see any quick fixes for the economy. "The private sector has been very harshly treated by the adjustment programme of the last 30 months. Their balance sheets have been, I don't want to use the word devastated, but their balance sheets are weak. On their own they must have some hesitation about investing, whether it's simply raw materials or anything else, much less equipment. And if on top of that, you have a continuance of very weak final demand in the normal markets they serve because of the impact of commodity prices on the real incomes of these people, you can see why it is not easy to turn the economy around."

He dismisses talks among other government officials that the Government will have to spend more if growth falters.

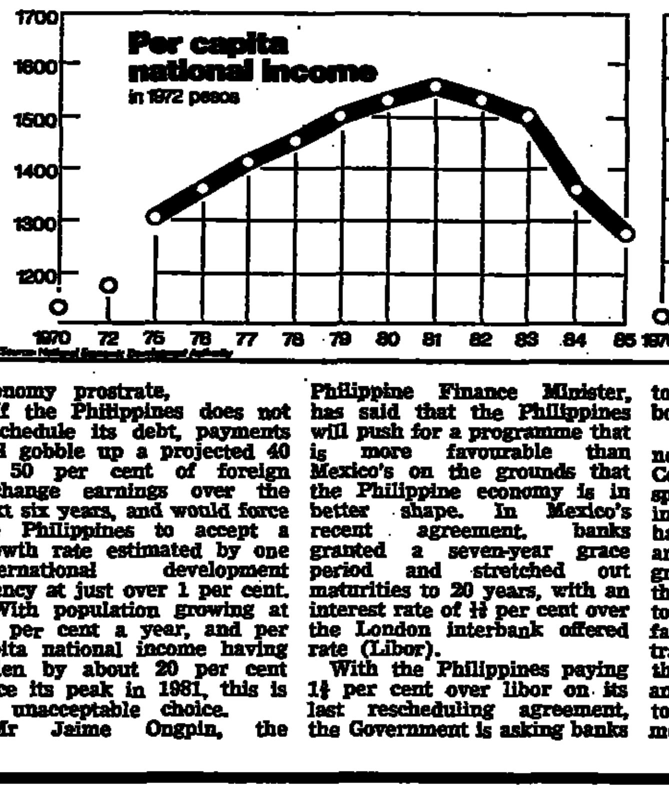
"I don't know where they will get the money. They won't get it from me. We have a programme (with the IMF) and we intend to abide by it.

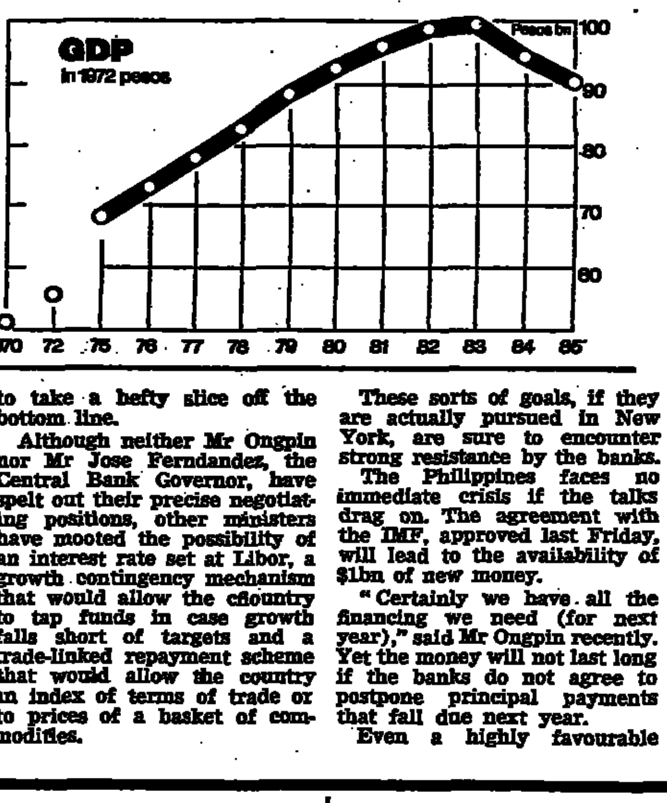
The Government has received applications worth $151m for its debt-to-equity conversion programme, and Mr Fernandez has high hopes that successes in the programme will snowball.

"It is very easy for a bank to look at 30 months of decline and say, well, I'm not going to make a move until I'm absolutely sure I'm on firm ground. I think equity will help that process if equity comes in through the debt-to-equity programme. Confidence builds on confidence. The ingredients are there but you have to see actual live examples of meaningful companies doing meaningful things. That has a real accelerator and a multiplier effect."

As for concern about political stability in the Philippines, the Governor thinks it is overblown.

"For anybody to assume it should be as calm as a lake after the enormous change that has taken place is to indulge in a pipe-dream. I hear the question asked all the time, and I see an attempt to magnify things out of proportion and not within the framework where it should be analysed, as if there had been no revolution."





Men and Matters

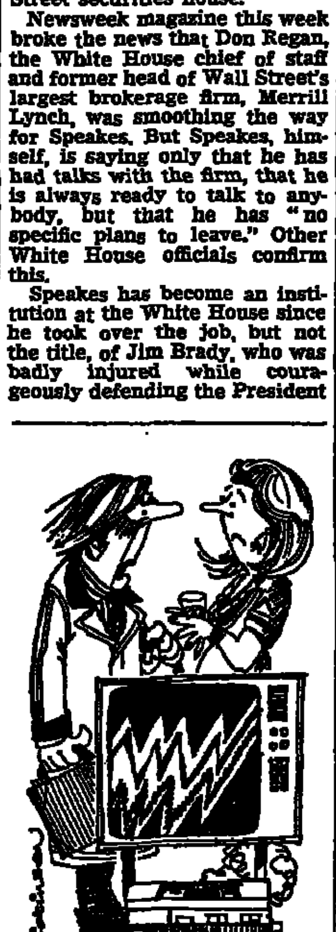
White House Speakes

White House officials are denying that Larry Speakes, President Reagan's aptly-named Press spokesman, is preparing to make an early departure from the administration, taking the same route to a secure future which former budget director, David Stockman, found irresistable — employment by a Wall Street securities house.

Newsweek magazine this week broke the news that Don Regan, the White House chief of staff and former head of Wall Street's largest brokerage firm, Merrill Lynch, was smoothing the way for Speakes. But Speakes, himself, is saying only that he has had talks with the firm, that he is always ready to talk to anybody, but that he has "no specific plans to leave." Other White House officials confirm this.

Speakes has become an institution at the White House since he took over the job, but not the title, of Jim Brady, who was badly injured while courageously defending the President during the attempt on Reagan's life in 1981.

Combining a nimble mind with a subtle vocabulary and (to the White House press corps) an irritating habit of refusing comment, Speakes makes a resolute and effective shield for the President. It will be a relief to many in the administration that he is not leaving in a rush, especially after the controversial departure earlier this month of State Department spokesman, Bernard Kalb.



"After a day at the Stock Exchange the last thing I need is a quiet evening in front of the box"

Giscard's dream

There ought to be a supranational President of Europe, Valery Giscard d'Estaing opined at the weekend—and he had no hesitation in saying he regarded himself as a good candidate for the post.

The former French president's latest ambition emerged during a long interview on French radio. Giscard argued that a common European currency and the appointment of a president would greatly strengthen the status of Western Europe and the 12 members of the EEC.

If there had been a European president, Ronald Reagan would undoubtedly have consulted him before going to Reykjavik to meet Mr Gorbachev, he said.

"I can't understand why there isn't a European equivalent of Washington," he added. A European president would be able to work for greater European unity.

For Giscard, the role of President of Europe has obvious attractions. His chance of running again as right-wing candidate for the French presidency in 1988 are decidedly slim, with Jacques Chirac, the current conservative Prime Minister, the hot favourite, followed in the right-wing camp by Raymond Barre, Giscard's former prime minister.

Since losing the presidency to Francois Mitterrand in 1981, Giscard has been making a political comeback, regaining his seat in the National Assembly and becoming president of the central region of Auvergne. But he clearly believes his talents demand a bigger platform.

Culture cuts

Yesterday's summit on culture between the French and West German governments in Frankfurt, aimed at improving cooperation in language and education between the two countries, did not enjoy the best of days.

First, an early morning cultural breakfast planned for ministers and experts from both sides had to be cancelled. The French, following an old national cultural tradition, were late.

Then the two governments failed to agree on the wording of a planned agreement on cultural exchanges which was to have been the highlight

Francois Leotard, the French culture minister, did not help matters by leaving the talks half-way through the afternoon. He has pressing engagements in New York... among them to run the marathon.

Overnight trade

Two English bond traders in New York, disappointed that Wall Street was not planning to celebrate London's Big Bang conspicuously, devised a new product to be floated.

The first step for Stephen Butcher of E. F. Hutton, and Mark Bucknell of Orion Royal, was to find co-lead managers. James Capel and Hoare Govett stepped in with a pledge to take 20 each of the new paper.

Next an issue price of $50 was set after hard negotiations over the likely value

The price might seem steep. But these high ticket items carried warrants exercisable for unlimited free drinks—for a strictly limited period during the night—at Stringfellow's, the Manhattan nightspot.

With a hook like that demand was brisk, allowing an increase in the original offering from 200 to 300. Virtually every British house in town joined the syndicate.

The product may be remembered as the Wall Banger Bond.

Charlotte jilted

IF there is one thing that people expect of an Edinburgh finance house it is that it should occupy a Georgian mansion either in, or within a few yards of, Charlotte Square.

So, when Dunedin Fund Managers, one of Scotland's faster-growing investment specialists, announced that it was not only leaving 3 Charlotte Square, but was also moving to a modern office block in the suburb of Ravelston, it is not surprising that the Scottish financial community reacted as if something far worse than Big Bang had happened.

What is more, Dunedin's chairman, Grant Cochrane, has said publicly what people in Edinburgh usually only confess behind closed doors—that tall narrow houses with many stairs lack the wide spaces and controlled environments so necessary for massed arrays of VDUs.

Dunedin, which manages the successful Edinburgh Investment Trust, has expanded out of its present office and is taking two floors in its chosen office block. The actual distance of the move is under one mile.

But from the way it is being talked about round Charlotte Square it is as if Dunedin were moving to the middle of a grouse moor.

Observer

Letters to the Editor

The most important reason for house price rises

From Mr A. Coles.

Sir, — It is difficult to comment on the econometric model underlying John Muellbauer's article (How house prices fuel wage rises, October 23) without studying it in detail. Nevertheless, there are a number of points made which should be challenged.

Mr Muellbauer ignores the fact that owner-occupiers move house relatively infrequently. On average, an owner-occupier with a mortgage moves once every six years, while the average outright owner lives in the same house for 8½ years. It is stretching the point a little to suggest that changes in house prices in the intervening years have an appreciable impact on wage demands, and moreover, have a greater impact on wages than changes in the prices of goods that are purchased every week or month.

Mr Muellbauer suggests that "there can be no doubt of the central role in house price inflation of mortgage interest tax relief." Can I sow a few seeds of doubt? It is much more likely that tax relief affects the level of house prices rather than their rate of increase. The withdrawal of tax relief would probably result in a one-off downward movement in prices, but thereafter inflation would continue at broadly the same rate as if tax relief had remained. Also, the current £30,000 tax relief limit is probably acting as a deflationary factor on London house prices, given that the average mortgage advance in this area is currently £35,000. At the margin therefore, borrowing for house purchase in London costs 11 per cent (soon to rise to over 12 per cent) compared to a tax relief rate of around 8 per cent in other regions. That house prices in London should continue to rise so rapidly in recent years suggests that other factors, such as rising incomes, lack of building land and relatively low unemployment are more important in explaining house price inflation than the existence of tax relief.

More generally, it is not the case that the "single most important reason for recent rapid house price increases" has been the disappearance of mortgage rationing in 1981. If this is the case, why did house prices rise by only 2½ per cent in 1982, a year of rapid increase in mortgage lending? The most likely explanation is that real incomes fell sharply in 1981 and remained unchanged in 1982. In comparison real incomes were over 3½ per cent higher in the first half of 1986 than in the comparable period of 1985, the most rapid increase since 1979. Experience of events in 1972-73 and 1978-79 suggests that the growth of real incomes is the "single most important" factor affecting house prices.

Mr Muellbauer looks as the winners and losers following the removal of tax relief and suggests that "incautious lenders to the housing market" would be the worst affected. What is cautious lending under the current arrangements would be incautious under a situation with no tax relief and many responsible lenders may find themselves carrying losses if tax relief was withdrawn rapidly.

Mr Muellbauer may also spare a thought for existing borrowers who would not only suffer "paper capital losses" but would also face increases in monthly interest payments of around 40 per cent after signing long term contracts based on promises that the existing arrangements would be maintained. Any suggestion that this would force wage inflation down seems hopeful to say the least!

A. M. Coles
(Under Secretary),
Building Societies' Association,
3 Savile Row, W1

Debt crisis management

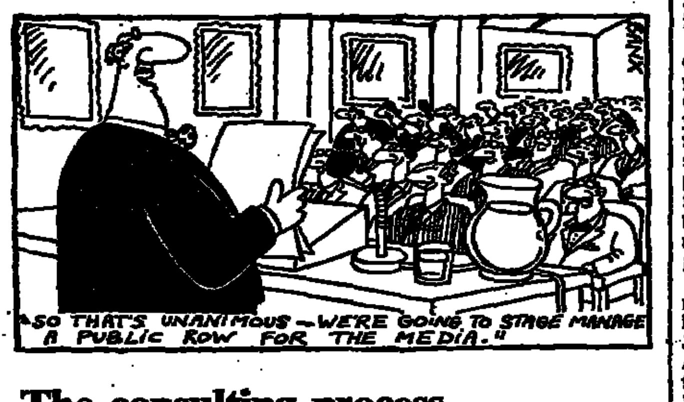
From Dr S. Griffith-Jones

Sir,—I was greatly impressed by the article on Mexican debt by C. E. Schumer, R. M. Lorenz and J. F. Castaneda (October 22). Perhaps its most valuable feature was that people representing different long-term interests in the future both of Mexico and of banks, have together presented an unorthodox solution, which would seem to benefit all parties.

There seems an unfortunate gap between imaginative solutions, many of them presented by influential people, and the day-to-day debt crisis management, which is clearly insufficient for coping with the magnitude of the crisis of debt and development of Third World countries. Perhaps the authors could suggest a mechanism or a forum through which innovative ideas such as their own could be incorporated into the specific deal struck between debtor governments, creditor banks and the IMF. Recent innovations in the Mexican deal with the IMF already incorporate some new ideas, such as linking new loans to further falls in the oil price and/or to declines in Mexican economic growth. It seems crucial to accelerate the process of increasing flexibility in debt crisis management, so as to avoid further economic decline in debtor economies, threats to the stability of the international banks and unnecessary losses of exports from industrial countries.

As regards debt relief, I believe it is essential to accompany such a proposal with ideas on monitoring the use of the resources thus released for expenditure within the country that will generate or save foreign exchange and/or improve the welfare of its people. It would also seem that debt relief should be accompanied by a significant contribution in resources by wealthy citizens of debtor countries towards funding development, eg, by increased direct taxation on the rich. The burden of the debt crisis should not only be shared more equitably between creditors and debtors, but also between different social groups within debtor societies.

(Dr) Stephany Griffith-Jones,
Institute of Development Studies,
University of Sussex, Brighton.



The consulting process

From the Chairman and Managing Director, Milliken Industrials

Sir,—Hazel Duffy, in her article on the Confederation of British Industry (October 22), chides member companies for not showing disagreement in public and, by implication, thus not making the CBI more effective.

Those organisations with a tradition of airing their internal differences publicly usually reap the reward of being asked constantly, by the media, if their latest row has affected their unity. This the CBI avoids, but that does not mean that member companies always agree on everything. Fortunately, though its consultative procedures involving members' meetings, regional councils, standing committees and the national council, members are given every opportunity of expressing their views; and wide divergences of opinion are by no means unknown! Fortunately, the consulting process does work effectively, so that by the time a CBI policy is made public it has the support of the vast majority of members, in an organisation covering a very wide spectrum of activities across the range of industry and commerce.

This method of distilling the collective views of member companies into a coherent policy is of course, less exciting for the media than public rows would be; our annual conference will never compete with certain others, in this respect. There are plenty of disagreements within the CBI; but they are resolved in private rather than in public. That this system works, and is preferred by member companies, is best shown by the fact that companies retain their membership, and their active involvement in the CBI. Most members would, I believe, not wish to see the CBI become either more strident or less cohesive; by speaking with one voice, we believe we can best make ourselves heard by those we seek to influence.

C. F. Jeanes,
Wellington Mill,
Wellington Street,
Bury, Lancs.

Power for the future

From Mr P. Watts.

Sir,—Mr Wilson (October 20) may rest assured that the proposed nuclear power station Sizewell B, if approved, will be built to the highest safety standards—probably to standards higher than anywhere else in this world and certainly to standards that at least equal those set for the magnox nuclear stations.

The Central Electricity Generating Board will indeed, as he suggests, continue to run the magnox stations so long as it is safe and economic to do so, but for new capacity the Sizewell B pressurised water reactor is vastly superior.

All the other options mentioned by Mr Wilson—conservation, alternative sources of energy, combined heat and power—are options which the CEGB counts on being developed to take up some of the growth in electricity demand in the first quarter of the next century. But they are not an immediately available alternative to Sizewell B for meeting the need for new generating plant in the mid 1990s.

Incidentally Mr Wilson expresses support for Sir Christopher Cockerell's views on the safety of nuclear stations (October 8) but he should be advised that the CEGB's criterion for Sizewell B is that the risk of a serious release of radioactivity from it (and that includes incidents less severe than at Chernobyl) is not Sir Christopher's figure of once in 30,000 years but once in a million years.

P. E. Watts (Economic Adviser), CEGB,
15 Newgate Street, EC1.

Revenue from motor taxation

From Mr R. Diment.

Sir,—I would not take issue with most of your editorial "Cost and quality in British Rail" (October 23), but your accusation that the Government fails to charge motorists for the cost of trunk roads and motorways *is simply* untrue.

The government forecast of motoring *taxation revenue* (from cars, light vans and taxis) to cost ratios for 1986-87 is for taxation to exceed costs by 3.7 times. Even if all road vehicles are included taxation *is still* 2.8 times greater than costs.

By all means have a debate on the important issues of transport but please get the facts right.

Richard Diment,
British Road Federation,
6 Portugal Street, WC2.

Up the creek without hope

From Mr T. Hill

Sir, — In connection with the advertisement in the Pacific Rim survey (October 20) I feel that *Magellan would have been* unimpressed by BHP's exploration expertise.

When he set out on his voyage he may not have known exactly where he was going, but he knew enough to be aware that *he* had pointed *his ships* in a westerly direction. It was therefore the Cape of Eleven Thousand Virgins, at the entrance to what are now called *the Magellan Straits,* which he rounded. This may have been of "Good Hope" to his men, but is not, I think, the sense intended by BHP.

T. C. Hill
55, Broome Rd,
Billericay, Essex.

The Pittsburgh experience

From Mr S. Cord

Sir,—I found Nick Garnett's article on Pittsburgh's recent economic renaissance (Oct 7), to be highly informative because I have done extensive research on it over the years.

Pittsburgh taxes buildings less than land in order to encourage new construction and re-employment. For instance, it taxes land at 15.15 per cent and buildings at only 2.7 per cent. A tax on buildings makes new construction more expensive while a tax on land can only encourage owners to use their sites more efficiently (ie, to develop them).

The facts seem to support the theoretical expectations. In the years 1980-1984, when Pittsburgh was expanding, the difference between its land tax rate and building tax rate, its new construction, as measured by its building permits issued, was 5.9 times higher than in the pre-change years of 1974-1978. For the entire United States, 1980-1984 building permits were only 1.6 times greater than for 1974-78. Pittsburgh did better *than the nation, much better*—almost four times better.

So it would seem that British cities could also encourage new construction and re-employment by rating land only at its capital value, thereby excluding *buildings from local rates* without reducing local revenues.

Steven Cord,
Center for the Study of Economics,
2000 Century Plaza (238),
Columbia MD 21044, US.

From Mr T. Whittle.

Sir,—Edgar Buck (October 21) may have a point about value added profits on sale of building land, but this has no relevance to the provision of and payment for local authority services.

These services are no longer confined—as originally instituted—to house occupation (water, sewerage, refuse collection, street maintenance) but cover a very wide range of social services which benefit equally every single resident.

To finance local authorities, rates are now absolutely untenable because they are based on completely hypothetical assessments of "rental values," pay no regard to ability to pay and, *worst of all, a widow or single* adult living alone often has to pay the same as a whole family of up to five adult earners.

In Scotland only 28 per cent of electors pay full rates (about 12 per cent in massive Strathclyde region), 34 per cent in England and very low in some cities. All electors can vote for council spending but only a small minority actually pay. *Can this possibly be fair or* right? Every citizen pays some national taxation—a child on its first toys or sweets.

The Government is to be congratulated on grasping this very painful rating nettle, despite the possible loss of votes from the many "losers." At last an anachronism removed and taxation with representation restored to local democracy.

Thomas E. Whittle,
19 Kildoon Drive,
Maybole, Ayrshire.

The contribution of the City to economic life

From Mr A. Pearce MEP.

Sir,—"Big Bang" is bringing fresh competition to parts of the City where *this is much* needed. It provokes, however, considerable thought about the contribution of the City to the country's economic life.

City men are amongst the highest paid people in Britain and they and the areas of south east England which they inhabit will make *even more money* from the new developments in the City. There will, however, be many people elsewhere in the country concerned that it is the behaviour and the structure of the City which is responsible for the industrial decline of the country, especially in the provinces.

The too frequent lack of investment, poor management, old-fashioned ways and inadequate commercial thrust in industry today must be blamed upon the owners *of firms.* Those owners are, in effect, in large measure, City institutions. Whereas in more successful foreign countries, owners of business invest long-term, look for asset growth and insist on efficient management, City people here appear to trade in the *ownership of* industry like a form of gambling. Hence the *current* lack of interest in Britain in research, training, development of export markets and modernisation of factories, which all require long-term commitment. Therefore financiers, mostly in south east England, grow rich while manufacturing industry, *especially* in the *provinces,* remains well below its potential.

People in the London area should not think that Conservatives nationwide support this kind of Bingo-capitalism. For *nationwide prosperity* Conservatives in the provinces want a fresh commitment to industry by its owners, ie the City. Can the City meet this challenge?

Andrew Pearce,
30 Grange Road, West Kirby,
Wirral.

From Mr B. Cooke

Sir,—The TUC *is* right to call for a "major assessment" of the role of the City in financing British industry (October 21), but the fundamental reason why this is necessary was only briefly alluded in the article.

The fundamental reason lies in the *differences* in the definition of success within a major private company and the City. Success for a major private company, essentially beating competition, can only be a long-term activity. Success in the City, essentially making money, can only be a short-term activity. When these two worlds mix, as they inevitably must due to the priority given by private companies to maximising *shareholders' returns,* the needs of the two parties (one short-term, the other long-term) are in fundamental conflict.

This conflict-based system of financing private industry would be harmful for any country; it is particularly harmful for Britain now because the amount of City-type financing per unit of *GDP is particularly* high in comparison to the US and all *other* major international trading countries.

B. H. Cooke.
Flat 1, Wakeham House,
Wakeman Road, NW10.

Michael Prowse on the importance of the cost of capital

The key to competitiveness

JAPAN HAS grown so fast over *the past four* decades that at present exchange rates its citizens are technically richer than America's and almost twice as wealthy as Britain's.

The fundamental explanation for this near-miraculous growth is to be found in the priority the Japanese place on savings and capital formation. The more a country invests, the greater *its potential* for future consumption. Japan has grown rich quickly mainly because it has resisted the temptation to dissipate gross national product in immediate consumption.

The contrast with pleasure-loving Anglo-Saxon economies is stark. OECD figures show that between *1981* and 1984 Japan's gross investment was 29 per cent of GNP. Britain's was a meagre 16.7 per cent and the US's was only slightly higher at *17.3* per cent.

Why does Japan invest so much? There are numerous possible explanations, some involving cultural and sociological factors. But American businessmen tend to emphasise one *point: capital formation in* Japan is high because capital itself is cheap.

Dr George Hatsopoulos, president of Thermo Electron Corporation of Waltham, Massachusetts, has been trying for *years to focus attention on relative* capital costs. In his latest study* he claims: "Over the past 25 years American manufacturers have been paying three times as much for capital as have their Japanese counterparts."

The result, he says, has been more than twice as much tangible investment per worker in Japan as in the US. He sees America's high cost of capital as the main reason for its steady *loss of industrial competitiveness.*

International comparisons of labour costs are readily available. The same cannot be said of capital costs, which are complex to calculate because they *depend not just on real interest* rates but on arcane details of national tax codes, such as depreciation schedules.

However, a recent paper † by two economists at Stanford University, Douglas Bernheim and *John Shoven, does attempt* an up-to-date comparison of capital costs in the US, Japan, West Germany and the UK.

The cost of capital is the pre-tax return which must be earned on corporate investments in order *to offer investors* a high enough post-tax return to attract their funds. The overall cost of capital is the average of the cost of debt and equity-financed investments.

Real cost of capital comparisons

	% Japan	% UK	% W. Germany	% US(1)	% US(2)	% US(3)
Cost of capital	2.76	3.56	4.39	5.48	7.16	5.00
Post-tax return to saver	1.80	1.28	0.70	2.24	3.05	5.00
Cost of equity capital	4.22	3.81	5.48	7.03	8.61	5.00
Post-tax equity return	1.71	1.33	0.00	1.89	2.89	5.00
Real interest rate	2.50	3.50	3.50	5.00	5.00	5.00

(1) present regime. (2) with Reagan tax reform. (3) with expenditure tax.
At average interest and inflation rates for the 1980s, using 1985 tax codes. Source: Douglas Bernheim and John Shoven.

The Bernheim/Shoven study certainly confirms that capital is unusually cheap in Japan. In the 1970s, the average real cost of capital in Japan was −1.56 per cent compared with 2.44 per cent in the US. In the 1980s (see table), the *cost of capital* rose in both countries, but the gap was maintained.

The inefficiency of tax codes is measured by the gap between the cost of capital and the post-tax return received by savers—*this is known as the* "tax wedge." For equity capital, the US tax wedge is 5.14 percentage points compared with 2.51 points in Japan. This reflects the *fact* that, while equity costs US companies more than 7 per cent, the individuals who put up the money receive less than 2 per cent net.

Bernheim and Shoven argue that domestic credit market conditions are the single most important determinant of capital *costs. Moreover, they maintain* that, even in the face of global capital mobility, governments can exert control over domestic real interest rates. Japan has always pursued a mix of fiscal and monetary policies that keeps interest rates low; the US, to its cost, has done the opposite.

Will President Reagan's tax legislation bring down the US cost of capital? No, say Bernheim and Shoven; indeed, on the assumption that it does nothing to bring down US real interest rates, it will have a strongly adverse impact. They calculate that the real cost of *capital could rise further to* 7.16 per cent and the real cost of equity funds to 8.61 per cent. Moreover, the tax wedge—the indicator of inefficiency—could broaden.

America's equity tax wedge is already high because it is the only country among the four considered which does nothing to alleviate the double *taxation of dividends* and because it has the most severe tax on realised capital gains on equities. Neither Japan nor West Germany taxes capital gains on securities. US tax reform will make matters worse *because* it eliminates the investment tax credit and raises further the effective levy on realised capital gains.

Bernheim and Shoven contrast the Reagan reform with the theoretical alternative of a shift to an "expenditure tax," under which all forms of *saving would be relieved of* taxation. Such a régime would help US industry by equating the cost of, and returns on, all forms of capital with the real interest rate. The tax wedge would be eliminated entirely—ultimate investors would receive in full the pre-tax return generated by a corporate investment.

Their analysis explains why many businessmen and economists believe the Reagan *reform is "anti-growth."* By raising the cost of capital it may encourage a further shift from investment to consumption and further reduce US *industry's* competitiveness.

The figures for West Germany and *the UK, however, suggest* that capital costs are by no means the only *determinant of* investment. West Germany, after all, has the highest tax wedge, indicating the least efficient tax code, and on average *it has faced higher real capital* costs than the UK. The discrepancy was more marked before the abolition of British 100 per cent first year capital allowances: in the 1970s, the UK real cost of capital was −1 per cent *against* almost 5 per cent in West Germany. Yet Britain has always had a weak investment record and West Germany a strong one.

Bernheim is not worried by this apparent contradiction. He points out that West Germany's investment record, while good, is nothing like as strong as Japan's. And he suggests that the UK's investment *performance* would be even weaker *were its real cost of capital to* rise to US or West German levels.

The personal sector's willingness to save may be the crucial *factor. Japanese individuals,* despite negative real returns, have more than financed Japanese domestic investment; indeed the capital outflows are now embarrassing. Attempts to boost investment without *stimulating* domestic saving often end in tears, as the Americans are discovering. The unavoidable capital inflows merely push up the exchange *rate and eliminate the potential* gains in competitiveness.

If the Anglo-Saxon economies want to achieve Japanese growth rates, they may have to seek a different balance between consumption and *investment. Tax cuts which* stimulate consumer spending seem precisely the wrong recipe. What is needed is a mix of monetary and fiscal policies designed to bring down interest rates, along with the kind of tax changes President Reagan shunned: measures to boost saving and penalise consumer borrowing.

**The gap in the cost of capital: causes, effects and remedies. George Hatsopoulos and Stephen Brooks. Ballinger Publishing Company, Cambridge, Mass.*

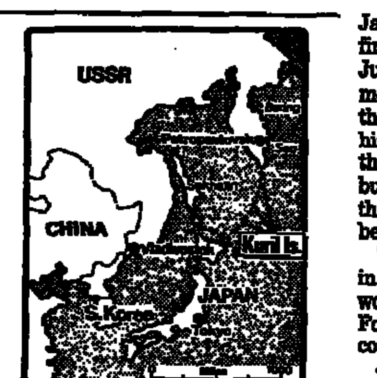
†Taxation and the cost of capital: an international comparison. Douglas Bernheim and John Shoven. Paper presented to the American Council for Capital Formation, September 1986.

FINANCIAL TIMES

Tuesday October 28 1986

Japan sets terms for Gorbachev visit

Ian Rodger in Tokyo reports on Japan's claim for the return of seven islands occupied by the Soviet Union at the end of the Second World War and the influence the dispute will have on bilateral relations.



THE Japanese Government is demanding that the Soviet Union agree to give back the seven occupied islands north of Hokkaido as a virtual precondition for the proposed visit to Japan of Mr Mikhail Gorbachev, the Soviet leader.

Japanese Foreign Ministry officials said yesterday that Mr Gorbachev had been invited without preconditions. However, Japan expected that the visit should have historical significance and lead to stable and friendly relations.

That means that Japan wants to see major progress toward the signing of a peace treaty between the two countries, which has been in abeyance since the end of the second world war. (Diplomatic relations were restored in 1956).

Japan has refused to complete the negotiation of a peace treaty until the Soviet Union agrees to return seven formerly Japanese islands north of Hokkaido which it captured in September 1945.

The islands, Shikotan, Kunashir, Etorofu and the Habomais group of three, which form part of the Kuril Islands, are very small but are strategically located between Hokkaido and the Kamchatka peninsula guarding the entry to the Sea of Okhotsk.

The Soviet Union has argued that Japan should be realistic and forget about the islands. The Japanese view is that they have always been part of Japan and should be returned, just as other islands, such as Okinawa, were returned in the post-war period. The Japanese point out that the Soviet Union has offered to return two of them. So there can be no justification for not returning all of them.

The islands are also a highly emotional issue in Japan. There is solid popular support for their return and not a little suspicion that the Government might make concessions in return for the prestige associated with a Gorbachev visit.

Mr Yasuhiro Nakasone, the Prime Minister, reiterated on television yesterday that Japan was not prepared to make major concessions in order to secure the Gorbachev visit. Mr Nakasone said Japan would welcome the visit, but "not at any cost."

The Gorbachev visit has been on the agenda since January when the Soviet Union appeared to begin to show more interest in its relations with Japan. So far this year, there has been an exchange of visits of the two countries' foreign ministers, a revival of a science and technology committee that has been dormant for several years, a visit to Japan by the Soviet deputy foreign minister and an exhibition of Japanese goods in Moscow.

Also, for the first time since 1975, the Soviet Union last July allowed Japanese citizens to visit relatives' graves on the disputed islands without carrying passports and visas.

Agreement in principle for Mr Gorbachev's visit was reached in January, and Mr Gorbachev confirmed in his Vladivostok speech in July that it was on the agenda. Last month, Mr Eduard Shevardnadze, the Soviet Foreign Minister, told his Japanese counterpart at the UN that Mr Gorbachev wanted to come but the visit could not take place this year. Nor could a specific date be given.

There has been some speculation in the Japanese press that the visit would take place next January, but Foreign Ministry officials said they could not confirm this.

Japanese government officials look forward to the visit as an opportunity to discuss Asia-Pacific issues, on which they would have some tough points to make to Mr Gorbachev. The Japanese were offended by his accusation in the Vladivostok speech that Japan was violating its non-nuclear principles. Also, his claim that the US, Japan and South Korea were forming a sort of eastern Nato betrayed a serious misconception, Japanese officials say. Japan has no security relations with Korea.

Broackes to join Eurotunnel board

By Andrew Taylor in London

SIR Nigel Broackes, chairman of Trafalgar House, the UK construction, hotels, property and shipping group, has been asked to join the board of Eurotunnel, the Anglo-French channel tunnel consortium which is struggling to raise £206m ($295m) in an international share placing.

By last night the consortium had still not completed the placing, with the deadline for payments for the issue due at 2pm London time on Wednesday, although Eurotunnel said that technically banks could offer the shares until Friday.

The Bank of England, disappointed at the shortfall on the £70m British share of the placing, has been seeking to persuade institutions to reconsider investing in the tunnel.

Following the Bank's lobbying at least one major fund, which previously was not among more than 40 British institutions to pledge support, has changed its mind and decided to subscribe.

In the House of Commons a request for an emergency debate into reports that the Government had sought to bring pressure on the Bank and on institutions, including British Rail and British Steel pension funds, to support the placing was rejected by Mr Bernard Weatherill, the Speaker (chairman).

The Government at the weekend strongly denied that it had sought to influence investors, saying that the Channel tunnel remained a private-sector venture which had to stand on its own merits.

Sir Nigel, who with Trafalgar House earlier this year supported a rival scheme for a fixed link across the Channel, cannot under the terms of the placing join the Eurotunnel board until after the issue is completed.

He will join as a non-executive director. Trafalgar House stressed yesterday that it had made no commitment to invest in Eurotunnel. He has been asked to join the consortium in the hope that his zest, energy and experience will help revitalise a project which has stumbled in recent months.

Sir Nigel has maintained close contact with Eurotunnel since January, when Eurotunnel won the concession to build a 31-mile rail tunnel under the Channel, defeating the Trafalgar House-backed road and rail scheme.

By yesterday the British share of the placing was understood to have been about £10m short of its target. There was also concern that institutions in the US, where £20m is due to be raised, were holding back while the British placing was sorted out. In France, where £70m is to be raised, there was concern about the position of several major institutions

Analysis, Page 12

Brussels seeks ruling on Tokyo liquor tax

BY QUENTIN PEEL IN LUXEMBOURG

THE EEC is to seek an urgent ruling under the General Agreement on Tariffs and Trade (Gatt) on alleged unfair Japanese taxation of imported wines and spirits, in a test case intended as part of a deliberate escalation of European trade pressure on Japan.

Community foreign ministers yesterday gave their approval to the immediate launching of a complaint under Article 23 of Gatt – a failure to observe Gatt obligations. They also urged the European Commission to target new areas for similar action.

The ministers called for "particular vigilance" to be exercised by EEC trade officials in Brussels over the whole range of Japanese exports to the Community. Japan's trade surplus with the EEC was $13.2bn in the first nine months of this year.

Mr Willy de Clercq, the European Commissioner for trade relations, told the ministers that the main sectors under consideration for "targeting" included electrical goods, medical equipment, and chemical and pharmaceutical products.

He said the case on wines and spirits – the subject of negotiations with the Japanese Government for several months – was a "test case for the goodwill of the Japanese."

It was an area in which the competitiveness of EEC producers – both of wines and of spirits such as whisky and brandy – could not be questioned, and European charges of discrimination were well founded, he said.

The Commission estimates that EEC exports in that sector in 1985, totalling £170m, could have been doubled without the tax and tariff system penalising products by making them more expensive than local varieties.

The council endorsement of the Article 23 action on alcoholic drinks marks the latest clear escalation in EEC pressure on Japan, which is intended to signal European frustration at the lack of results from Tokyo's promised "market-opening" measures.

The ministers also inserted a clause promising to consider proposals for EEC retaliation over wines and spirits within 30 days of any Gatt confirmation of discrimination.

The Commission is expected to launch the complaint today or tomorrow and ask for an urgent ruling from the Gatt panel within three months.

A particular concern of the Community is that tax changes should be included in the current package of reforms under consideration in Tokyo. But Commission officials said that changes recommended by the Japanese tax advisory committee were still too ambiguous and preliminary to comment upon.

Fiat pressed for more details of bid for Alfa

BY JOHN WYLES IN ROME

FINMECCANICA, the Italian state-holding group which controls Alfa Romeo, last night pressed the Fiat group for more precise information on its proposed takeover bid for the ailing car company.

While stressing that it was not criticising the proposal, Finmeccanica said that Fiat's proposed L6,000bn ($5.7bn) total investment lacked a clear statement on how much it was proposing to pay for control of Alfa.

"The Ford offer is very clear in this point, and at the moment we cannot make a clear comparison. We hope that Fiat will make its offer precise in the next few days," the group said. The holding company is committed to providing a final decision on Alfa's future by November 7.

Detailing its proposal last Saturday, Mr Cesare Romiti, Fiat group's managing director, said that L5,000bn would be invested in the proposed new company linking Alfa and Fiat's Lancia subsidiary, of which 75 per cent would be spent on renewing Alfa's plant and products.

The remaining L3,000bn would cover the purchase of Alfa's capital from Finmeccanica and fund losses up to its projected break-even in 1990-91.

Mr Romiti said that Fiat was prepared to take immediately anything between a 51 per cent stake and full ownership of Alfa, according to Finmeccanica's wishes.

Fiat says that Alfa's book value is L1,500bn but has clearly avoided actually offering that amount. Executives indicated last Saturday that they expected a discount to this book value, bearing in mind that Fiat was committing Lancia to the new company which is to be the vehicle for Alfa's development.

Fiat gave assurances last night that Finmeccanica would be given all the details it wants. "You must remember that Ford had five months to appraise Alfa. We have put our offer together in three weeks," the company said.

Ford is believed to have offered L140bn for an initial 19.5 per cent stake in Alfa. Its holding would rise to 90 per cent after three years at a price of between L8bn and L11bn per percentage point of capital.

Sale saves Occidental from slide into red

BY OUR FINANCIAL STAFF

OCCIDENTAL PETROLEUM, the Los Angeles-based oil group headed by Dr Armand Hammer, has been kept out of the red at the net level in the third quarter by a $106m gain on the sale of the group's 20 per cent holding in Southland, a chain store operator.

The gain helped the group to record net profits of $39.1m, or 12 cents a share, against $381.7m or $3.07, last time. However the 1985 quarter included a $424m gain, of which $181m was included as an extraordinary item, from the sale of 50 per cent of Occidental's interests in Colombia.

The oil and gas operations, domestic and foreign, reported a loss of $2.8m for the quarter, compared with earnings of $328.2m previously.

Lower prices for crude oil, natural gas and natural gas liquids in all Occidental's markets significantly hit sales and operating results. Earnings also fell in the agribusiness and coal divisions. But the chemicals sector, which included results from the recently acquired Diamond Shamrock, was ahead.

At the nine-month stage net earnings fell to $161m, or 61 cents a share, from $643.3m or $4.30.

Sales edged ahead from $3.4bn to $3.7bn in the quarter, and from $10.8bn to $11.2bn for the nine months.

Atlantic Richfield blamed a steep decline in third-quarter net profits on the drop in prices for crude oil, natural gas liquids and natural gas. Mr Lodwrick Cook, chairman, warned that the group's profits would continue to be depressed if the prices remained at current levels.

The group earned $102m, or 56 cents a share, compared with $403m, or $1.98 last time. The latest figure includes a $30m charge and an $11m tax credit.

After-tax earnings from Arco's worldwide oil and gas operations were $41m in the quarter, compared with $304m. The group said the oil price decline had been offset by lower operating and exploration expenses and higher crude oil production volumes, and a $25m gain from non-recurring items.

Nine-month net profits were $551m or $3.03 a share. Last time the group was $344m in deficit after taking a $1.5bn charge in the 1985 second quarter.

Sales fell for both the quarter and the nine months – from $5.5bn to $3.5bn and from $17bn to $11.4bn respectively.

Pennzoil, the Houston-based oil and gas company embroiled in a court battle with Texaco over Getty Oil reported a third-quarter net loss of $10.1m on sales of $422.3m. The loss includes a $23.1m extraordinary charge.

Third-quarter net operating profit was $13.0m or 22 cents per share, compared with $44.4m (94 cents per share) in the corresponding 1985 period, when sales totalled $464.0m.

Texas Air profits record

BY DAVID BLACKWELL IN NEW YORK

TEXAS AIR, which last week was given final approval by the US Transportation Department for its takeover of the troubled People Express, has reported its largest quarterly profit since its formation in 1980.

The airline, which will become the biggest in the US with 25 per cent of the market when its acquisitions of People Express and Eastern Air Lines are completed, boosted third-quarter net profits to $125m or $3.54 a share from $68.8m or $2.85 last time.

The latest figure includes a $18.5m tax gain, compared with a $32.1m tax credit in the previous period.

The group said the result reflected a substantial increase in net income at Continental Air Lines, which is 73 per cent owned by Texas. In addition there was a gain of more than $30m realised by New York Air on the sale of certain assets to Pan Am.

Sales rose from $541.2m to $611.6m for the quarter, and from $1.45bn to $1.66bn in the nine months, when Texas earned $73.7m or $2.50 a share, well down on $122.6m or $5.50 a share last time.

However, the nine-month decline is not so steep when tax credits of $18.5m and $56.3m respectively are taken into account.

Poor region funds agreed

Continued from Page 1

The projects were put forward under another set of recently introduced rules that increase the European Commission's power to put forward special programmes outside the fixed spending which constitutes the bulk of the regional fund.

In this way, the Commission hopes to make regional spending more tightly focused than schemes which simply reimburse member-states for investing in economically underprivileged areas.

Star is intended to pay for feasibility studies into bringing advanced telecommunications to the regions concerned, demonstration projects and equipment supply.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	R	13	55	Malta	F	19	66	Rhodes	S	25	77
Algiers	C	21	70	Edinburgh	R	15	59	Manchester	C	14	57	Rio de J'o	S	27	80
Amsterdam	S	12	54	Faro	S	24	75	Manila	S	33	91	Rome	S	17	63
Athens	R	19	66	Florence	F	16	61	Melbourne	C	15	59	Salzburg	R	4	39
Bahrain	S	31	88	Frankfurt	S	11	52	Mexico City	S	23	73	San Francisco	S	24	75
Bangkok	C	32	90	Funchal	F	21	70	Miami	C	28	82	Seoul	F	13	55
Barcelona	S	18	64	Geneva	S	9	48	Milan	S	16	61	Singapore	F	29	84
Beirut	–	–	–	Gibraltar	F	21	70	Montreal	C	12	54	Stockholm	C	9	48
Belfast	C	14	57	Glasgow	D	13	55	Moscow	S	6	43	Strasbourg	S	11	52
Belgrade	R	9	48	Guernsey	R	13	55	Munich	F	8	46	Sydney	C	17	63
Berlin	S	12	54	Helsinki	C	5	41	Nairobi	F	26	79	Taipei	C	28	82
Biarritz	F	15	59	H. Kong	F	27	81	Naples	F	15	59	Tangier	S	23	73
Bombay	S	34	93	Innsbruck	F	8	46	Nassau	S	29	84	Tel Aviv	C	27	81
Bordeaux	F	14	57	Inverness	C	14	57	New Delhi	S	31	88	Tenerife	S	24	75
Brussels	S	12	54	Islamabad	S	31	88	New York	S	13	55	Tokyo	C	16	61
Budapest	R	8	28	Istanbul	F	19	66	Nice	S	19	66	Toronto	R	11	52
B. Aires	S	24	75	Jakarta	C	29	84	Nicosia	S	27	81	Tunis	R	18	64
Cairo	F	27	81	Jersey	R	13	55	Oporto	S	17	63	Valencia	S	19	66
Cape Town	S	17	63	Jo'burg	T	27	81	Oslo	C	5	41	Venice	F	14	57
Caracas	S	27	81	Lima	S	21	71	Paris	F	10	50	Vienna	R	7	45
Casablanca	S	21	70	Lisbon	S	19	66	Peking	C	7	45	Warsaw	F	9	48
Chicago	S	15	59	London	R	13	55	Prague	C	8	46	Washington	C	14	47
Cologne	F	12	54	Los Angeles	C	30	86	Reykjavik	R	3	37	Zurich	S	8	48
Copenhagen	C	10	50	Luxembourg	S	7	45								
Corfu	S	21	70	Madrid	S	16	61								
Dallas	S	9	48	Majorca	F	20	68								
Dublin	R	16	61	Malaga	S	22	72								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Big Bang crash as systems overload

Continued from Page 1

New Court, one of the few market-making firms to prefer the floor to the telephone, benefited from a rush of business.

Most dealers remained relaxed and relieved that the fault lay with the stock exchange computers rather than with their own. Most of the defects in their own systems which became apparent in the dress rehearsal 10 days ago appeared to have been removed.

"It has been a success," said Mr David Scholey, chairman of Mercury International Group, one of the largest UK securities houses. "The most worrying thing would have been a general frenetic feeling but in fact everyone has been quite calm.

Mercury's securities subsidiary, Warburg Securities, reported that investors took advantage of the new rules to by-pass stockbrokers completely by dealing directly with Warburg in about 35 per cent of its transactions. Other securities houses recorded slightly lower figures but all expected the proportion to increase in the next few months.

The total volume of trades on the first day of the new system was about average for a Monday. Mercifully, there were few important company announcements which might have stimulated trading and put further pressure on the Topic system.

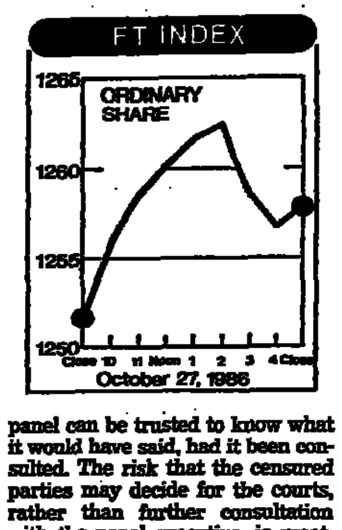
Alan Cane in London writes: Seaq is not a single computer system but a complex and sophisticated series of interlinked systems. It is hardly an ideal design but it was forced on the stock exchange by considerations of cost and the development timescale.

The Seaq computers process quotes, quote changes and transaction reports from market-makers and feed the information out to a series of other systems – the surveillance computers, for example, as well as Epic (the computers which hold permanent records of all market activity) and Topic, a cheap and simple viewdata system which transmits "pages" of information to Topic television sets, some 10,000 of them, in the market place.

THE LEX COLUMN

Seaq and ye shall not find

The first day of the new order could have been more disorderly, all things considered, than it was. Troubles with computers and screens were foreseen, at least by Smith Brothers – the one market maker of size to make a stand on the market floor, first thing in the morning. That hour of glory may not last, for it is clear that the investment in electronic dealing systems can only be turned over fast enough for comfort if the bulk of trade *is* done on screen. The floor will be under fire as soon as the electronics are seen to be working properly. That moment will be the true test of the face-to-face theory of stock market dealing, and of the nervous *skulking* behind meaningless prices in very small sizes which characterised much of yesterday's price setting (at any rate on screen).



Panel

If the Takeover Panel wanted to buy a stake in the future regulation of bids and deals, it had no alternative but to come down hard on Hill Samuel, Cazenove, Midland Bank and – alas – AE. On the evidence reported by the panel, it does indeed appear difficult to justify Hill Samuel's discreet attempt to square the interests of its corporate client with those of its clients on the fund management side. Equally, it seems an extraordinary decision by all concerned with Midland's purchases of AE shares to keep so quiet about the matter.

The minute distribution of blame and censure is all very well. What matters about the panel's *sentence* is the remarkable amount of latitude that Turner & Newall has been given – as to how, when and at what price it may decide to have another go at AE. From the standpoint of a frustrated bidder with a lot of expensively acquired stock still to carry, every privilege must seem a right. The freedom to buy more shares, absolution from the further expense of cash underwriting, and the ability to pitch a new bid as low as the market will tolerate, must seem only fair to Sir Francis Tombs.

Hill Samuel, at least, is already arguing that interpretation of the rule on disclosure is being retroactively tightened up – or possibly even extended in its application to places where it never reached before. This is pretty weasel stuff: the panel can be trusted to know what it would have said, had it been consulted. The risk that the censured parties may decide for the courts, rather than further consultation with the panel executive, is great. The panel is to be applauded for taking that risk. The unfortunate AE will clearly suffer a self-righteous City backlash, and so more particularly, will Hill Samuel.

Daimler-Benz

Third-quarter statements from Daimler-Benz are not the most revealing of documents, but the dry catalogue of production and sales figures does tell a tale, if not a very surprising one. Daimler's motor business is proving very robust even where a weaker dollar has theoretically inflated D-Mark costs in vehicles exported to North America by almost 50 per cent.

Leaving AEG out, Daimler's group sales were up just 4 per cent by value in the first nine months. But sales from the parent company – which comprises everything that matters in motors except Brazil – rose 10 per cent, with a 7.5 per cent increase in exports. Daimler was able to increase its premium prices by double-figure percentages in the US in the year to September, with the grey market in exports from Germany apparently having dried up.

The outlook for profits this year is good. Unlike the other German motor manufacturers, Daimler will surely be reporting increased earnings on a diluted basis this year – though Daimler's share price fell DM 9 to DM 1,221 yesterday. In Germany, there has been a shift in product mix to higher-margin passenger cars: sales of Daimler's middle range are up 20 per cent while sales of compact cars are actually down a bit. And Daimler's US subsidiaries will certainly have hedged this year at a level above DM 2 to the dollar. What happens next year is a different matter altogether.

Barker & Dobson

Running a public company would be fine but for the shareholders. Barker & Dobson's offer to pay the dealing costs of small investors who sell seems a curious way to win friends. As Barker shares are the sort that can easily double (or halve) and have usually cost only a few pence, it is hardly surprising that most small shareholders want to stay for the ride and have given the deal, which closes today, a thumbs down rather than a victory V sign.

Instead of taking its huge share register as a compliment – and the list has swelled by thousands since Mr John Fletcher took over – Barker would prefer to have only holders of 5,000 or more shares, worth a little over £750. Even better would be a register containing only those willing and able to take up rights issues, namely the institutions which are the main takers of any shares now being sold. Any reduction in the expense of servicing shareholders would be added to profits. So Barker is offering the small investors the chance to make the less-than-supreme sacrifice by laying down their profits for its friends. A better way to lose the small speculators would be for Barker to outgrow its penny stock status. The one-for-10 consolidation is only the start of the process.

BBA

A share price based on doing miraculous things with the cast-offs of other conglomerates (including the redoubtable BTR) is a fragile thing. BBA was taking an industrial risk when it absorbed Automotive Products earlier this year and a stock-market risk when it followed up with a rights issue. The shares have scarcely looked up since; that unreliable customer, the UK motor industry, has seen to that. The 190p rights price now looks rather sick, in the light of post-acquisition trading at AP.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 28 1986

Union Carbide in black after $252m gain from disposals

BY DAVID BLACKWELL IN NEW YORK

UNION CARBIDE, the US chemical group which has been undergoing a major restructuring in the wake of the 1984 Bhopal disaster in India when at least 2,000 people died, returned to the black at the net level in the third quarter, reflecting a $252m gain from disposals.

The gain, taken mainly on the sale of its home and car products business, left net profits at $290m, or $2.94 a share.

This compares with a loss last time of $543m, or $2.58 a share – a loss that includes special charges of $620m relating to the restructuring programme and an extraordinary credit of $19m from the repurchase of debentures.

Income from continuing operations totalled $42m, against $26m in the 1985 quarter when the special items from the restructuring are excluded.

The company said its biggest sector – chemicals and plastics – performed particularly well, with operating profits nearly four times those of the previous quarter.

Discontinued operations showed a loss of $4m compared with $32m profit in the previous quarter, excluding restructuring charges.

The group said that discontinued operations included battery products, home and car products, film packaging, agricultural products, specialty polymers and composites and the metals business. With the exception of the agricultural products unit, all these were sold by the beginning of the third quarter.

Net sales for the quarter declined by 2 per cent to $1.55bn from $1.58bn. Domestic sales were down 3 per cent because of weak pricing in the US, the company said. However, international sales in dollars rose because of the weakness of the currency.

Earlier this month Union Carbide put its electronic components businesses up for sale in a continuation of the disposal programme aimed at paring the group down to three key areas where it has market leadership – polytheylene, industrial gases and graphite.

Nine-month net earnings were $991m, or $9.56 a share, including gains of $588m from disposals and $270m from pensions. Last year the group was in the red by $371m, or $1.76 a share.

Income from continuing operations, however, declined to $116m compared with last time's 136m when special items are excluded. Sales for the nine months were flat at $4.75bn, against $4.8bn.

Record three-month income for Textron

BY DAVID OWEN IN NEW YORK

TEXTRON, the Providence-based aerospace, commercial products and services company, announced record third-quarter income from continuing operations of $85.2m, or $1.58 a share, up 60 per cent from $40.7m, or $1.12 per share, a year earlier.

Turnover was $1.5bn, up from $1.4bn a year earlier.

However, overall net income fell from $70.8m, or $1.94 per share, in the third quarter of 1985 to $65.5m, or $1.61 per share, in the latest quarter. A net $8m gain in the 1986 period was largely offset by an extraordinary loss arising from the early redemption of company debentures.

The company has been restructuring vigorously. According to Mr B. F. Dolan, president and chief executive officer, the improvement in continuing operations reflects increased defence programme deliveries, industrial business gains and reduced interest rate expenses.

McDonnell Douglas, the US aerospace group, suffered a sharp downturn in third-quarter net profits after taking charges totalling $43.5m in its combat aircraft and space systems businesses.

Net earnings fell to $42.6m or $1.05 a share on sales of $3.01bn from $73.1m or $1.81 a share on sales of $2.88bn.

The group said pre-tax earnings on its combat aircraft line were $80m down on the previous quarter, mainly because of a reduction in the final price for CF-18 aircraft being sold to Canada.

In the space systems and missile sector, pre-tax earnings fell by $8.2m after a write-off directly related to the space shuttle disaster.

At the nine-months stage, net earnings fell to $184.9m or $4.57 a share on sales of $9.18bn from $250.9m or $6.24 on sales of $8.39bn.

Gould, the US electronics and defence group, suffered a sharp decline in third-quarter earnings, which dropped to $4.3m, or 10 cents a share, against $16m, or 36 cents a share.

Sales in the struggling Illinois-based group, whose chairman, Mr William Ylvisaker, resigned last month, amounted to $227.4m for the quarter, against $230.1m a year ago. In the first nine months of the year, revenues slipped to $681.4m from $690m, while net losses amounted to $106.4m after special charges against a net deficit in the same period of last year of $110.6m.

Kaiser agrees to sell property

BY OUR NEW YORK STAFF

KAISER ALUMINUM, the third biggest US aluminium producer which sharply reduced its third-quarter loss earlier this month, has agreed to sell a subsidiary holding property worth more than $450m.

The sale to Kemper/Bedford Properties will realise about $130m in cash, most of which will be available to reduce Kaiser's debt for 1986.

In addition more than $325m in non-consolidated liabilities of the Kaiser subsidiary will be terminated as part of the sale and largely refinanced by the buyer.

The deal, which represents the major part of Kaiser's property assets, is expected to be completed at the end of the year.

Peter Bruce in Bonn examines the dramatic effect of the Neue Heimat scandal

German unions march towards the bourse

WEST GERMANY'S trade unions, spurred on by the managerial and commercial disasters that forced them to sell Western Europe's biggest property group, Neue Heimat, for a nominal DM 1 ($0.50) last month, are preparing to make more dramatic cuts in their business involvement.

Just before his spectacular arrest early last week for refusing to testify to a Bundestag commission on the sale of Neue Heimat, Mr Alfons Lappas, chairmann of BGAG, the union holding company, said the unions were actively investigating ways to "open up" their other businesses to outside shareholders.

The unions' assets are impressive. Mr Lappas was talking chiefly about the Volksfürsorge, the country's third-biggest insurer, with premium income last year of DM 2.58bn ($1.29bn), and the Bank für Gemeinwirtschaft (BfG), the 12th biggest bank, whose assets totalled DM 62.7bn at the end of 1985.

There was a time when thoughts like these were heretical. *Gemeinwirtschaft*, a cousin of the co-operative concept was meant to serve worker security. Neue Heimat was there to provide union members with comfortable housing. The Co-op retail chain, which the BGAG disposed of earlier this year, was born with an equally noble purpose.

Gemeinwirtschaft used to be held up as a shining example of how workers could look after themselves in their own special way within a capitalist system.

But two things have happened. First, Neue Heimat and its DM 17bn liabilities have got the unions into deep financial trouble just as they feel they need financial strength to fight off attacks on their considerable powers by the conservative Government. Even though Neue Heimat has been sold, the BGAG is committed to making funds available to it beyond the turn of the century.

Second, management in the BfG and the Volksfürsorge have become angry and disillusioned at their association with Neue Heimat and, at the same time, enthusiastic about the new dynamism in West German capital markets since the Government of Chancellor Helmut Kohl came to power in 1983. They are said to be lobbying hard for more independence.

Floating off either group or selling parts of them to chosen buyers (it would not be the first time bigger West German banks and insurers have shown an interest) may help solve union liquidity problems while at the same time relieving professional managers of the burden of being classed as lower class capitalists

Deep inside the bowels of the union umbrella body, the Deutscher Gewerkschaftsbund (DGB), rumbles a much more fundamental debate, however. Should the unions be in business at all?

Although the last DGB convention showed itself a little uncertain by voting not to allow the healthy BGAG holdings to bankroll Neue Heimat, radical union leaders believe that the DGB should simply rid itself of all business.

The prospect of the BfG, or, though highly unlikely, the Volksfürsorge, getting into trouble terrifies the sell-it-all-now school because the collapse of Neue Heimat has had such a debilitating effect on the union movement as a whole. Members have certainly been lost, but what hurts most is the political shame.

The future of Gemeinwirtschaft is bleak, then, although arguments that the unions should hold on to control of the BfG and Volksfürsorge, even with new shareholders, may hold sway in the medium term. New shareholders are not likely to want to make charitable investments. Intense speculation at the weekend held that a major partner for the BfG would be found before the end of the year.

Mr Lappas was quite clear about what he wants. Although his future at the BGAG is at best delicate, he reflects thinking in the Frankfurt headquarters: "We must find ways to meet the capital requirements of the (union-owned) companies without tying up further union assets," he insists.

But with the stench of Neue Heimat ever fresh in the noses of 150 anxious creditor banks, the unions have their work cut out.

Cominco cuts losses in quarter

BY BERNARD SIMON IN TORONTO

COMINCO, the Vancouver-based metals and fertiliser producer recently taken over by a consortium of Canadian, West German and Australian mining companies, reduced losses to C$14.8m (US$10.72m), equal to 27 cents a share, in the three months to Sept 30, from C$28.4m or 49 cents a share a year earlier. Sales dropped from C$315.4m to C$282.8m.

Nine-month net losses fell from C$25.6m to C$11.9m, including extraordinary items.

Higher zinc, lead and gold prices contributed to a third-quarter turnround in the metals division from last year's operating loss of C$8.5m to a C$9.4m profit. But this improvement was partly offset by a jump in fertiliser losses from C$7.7, to C$16.4m, reflecting lower prices and sales volumes of potash, ammonia and urea fertilisers.

The company said it expects the improvement in its metals business to continue in the current quarter, partly as a result of mine and plant closures aimed at controlling inventories and other costs.

But fertiliser sales volumes depend on autumn weather conditions following the late grain harvest in most of North America. Low fertiliser prices are expected to persist.

Cominco said it is reviewing its loss-making activities and the carrying value of its assets. Any write-downs will be included in end-1986 financial statements.

The new controlling shareholders, headed by Teck of Vancouver, have quickly replaced senior management and further personnel changes are in the offing.

The two Canadian resource companies, Noranda and Falconbridge, have reported improved third-quarter results, despite setbacks in some areas.

Noranda turned a C$38.6m loss last year, equal to 33 cents a share, into a profit of C$4.7m, equal to a 5 cent per share loss after payment of preferred dividends. Sales rose from C$782.3m to C$828.1m.

Falconbridge's earnings advanced to C$5.6m or 9 cents a share from C$3.7m or 9 cents a share a year earlier. In addition, the company recorded extraordinary gains of C$49.4m or 83 cents a share from the sale of its interests in two Canadian gold mines and Falconbridge Copper, revenues rose from C$206m to C$279m.

Noranda's performance was badly dented by strikes at a Quebec zinc smelter, at British Columbia sawmills and at one of its aluminium subsidiaries. Summer shutdowns and a very weak potash market also depressed earnings.

Inco, the major Canadian producer of nickel, has stayed in profit in the third quarter despite the continued weakness of the metal price.

Earnings for the period amounted to $1.8m. After deducting the first quarter loss this leaves the company with a net profit of $1.8m for the first nine months of the year compared with $44.8m in the same period of 1985.

Barclays SA assets decline by year-end

BY JIM JONES IN JOHANNESBURG

BARCLAYS NATIONAL Bank, South Africa's largest banking group, showed a contraction in its overall size in its latest three months.

Total assets were R18.75bn ($8.25bn) on September 30 which was slightly higher than the R18.86bn of December 1985 but lower than the R19.37bn reported in June 1986.

The bank last year ceased to be a subsidiary of Barclays Bank PLC and although the British group remains the largest shareholder with 40.4 per cent of the equity, the South African bank has changed its financial year end to September 30.

Interest income was R1.82bn for the nine months to September against R2.81bn for the previous full year, while the interest expense was R1.23bn against R2.19bn. Pre-tax profits were R180.7m against R181.2m and net earnings were R107.3m against R111.8m.

Mr Chris Ball, the managing director, said benefits flowed from an improvement in the interest turn, tight cost controls and higher efficiencies arising from the bank's investment in systems. He added that the debt provisions had to be increased as: "It continued to be the case that respected client businesses were forced out of trading by high interest rates and the severity of the recession in non-mining sectors."

Interest rates have been falling steadily since May 1985 in response to progressive bank rate cuts. At present the commercial banks' prime overdraft lending rate is 13.5 per cent against 25 per cent in May last year.

Barclays' earnings were 148 cents in the past nine months against 182 cents in the previous year and a total ordinary dividend of 71.25 cents has been declared against 95 cents.

Daimler turnover boosted by AEG

By Our Financial Staff

DAIMLER-BENZ, the big West German industrial group best known for its range of high-quality cars, yesterday confirmed that sales for 1986 would rise strongly.

For the first nine months group turnover increased by DM 9.1bn to DM 47.5bn ($23.7bn). Daimler pointed out, however, that the inclusion of the AEG group for the first time accounted DM 7.57bn of the upturn.

The year as a whole was expected to see turnover rise to DM 65bn, Daimler said. This estimate falls marginally short of the DM 67bn of sales which the group looked forward to as recently as July.

Daimler said it expected another gratifying profit in 1986. It gave no details of earnings to date but said the group has been profitable overall with a considerable rise in sales in the US compensating for the lower dollar.

Car production is likely to rise to 595,000 this year from 541,000 in 1985, it said. Demand for Mercedes cars at home and overseas continued to exceed production capacity in the first nine months. Domestic car sales in the period were about 224,000, up 9 per cent.

Daimler said its three new subsidiaries, AEG, the electrical group, Dornier, which makes aircraft, and MTU, the engines group, had continued to develop positively.

Conditions for AEG's activities had improved markedly, not least due to last year's capital increases, Daimler said. AEG, which is 56 per cent owned by Daimler, expects turnover and incoming orders to rise overall in 1986 because of a revival of activity in domestic business.

Daimler, unlike other manufacturers, was able to increase car exports to around 218,000 units, the company said. The fall of the dollar had not affected sales of Mercedes cars. The company planned to boost Mercedes sales in the US

Steyr expects to fall further into the red

BY PATRICK BLUM IN VIENNA

STEYR-DAIMLER-PUCH, Austria's troubled vehicles and weapons group, is likely to see its losses this year exceed the Sch 618m ($44m) recorded in 1985, Mr Otto Voisard, Steyr's general director and chief executive said yesterday.

Mr Voisard said Steyr would be out of the red by 1989 and that its losses in the next two years would be smaller than those since 1984.

Management has decided to carry out a major reorganisation and restructuring programme which will include substantial job cuts, a further rationalisation of production lines and an injection of Sch 2.5bn to cover losses and pay for new investment until 1990.

As part of the new programme and starting from January 1 1987 Steyr will be transformed into a holding company with responsibility for the production of tractors and trucks.

The rest of the group's activities will be divided between five separate and independent subsidiary companies.

Mitsubishi buys into US group

BY IAN RODGER IN TOKYO

MITSUBISHI Heavy Industries (MHI) of Japan has purchased a 20 per cent stake in Beloit, the US papermaking machinery group, for $60m.

MHI, which makes papermaking machinery under licence from Beloit, bought the stake from Harnischfeger, the Milwaukee engineering group which in February agreed to pay $175m for the whole of Beloit.

MHI said it would co-operate with Beloit in research and development, production of machines and components and materials procurement.

The investment in Beloit would also expand MHI's sales area for papermaking machines.

INTERNATIONAL COMPANIES and FINANCE

Losses sharply up at Moulinex

BY PAUL BETTS IN PARIS

MOULINEX, the French kitchen equipment manufacturer, has reported a sharply higher loss of FFr 199.8m ($30m) in the first half of this year compared with a loss of FFr 17.1m in the same period last year.

The higher first-half loss confirms financial forecasts of a substantial deficit. However, the first half losses reflect major provisions and other special elements totalling FFr 241.8m and related to the group's restructuring and recovery programme.

In the same period last year, Moulinex's results included special gains of FFr 20m.

Without the special one-time loss factor, the company's operating performance has improved with the company reporting an operating profit of FFr 68.2m for the first half compared with operating earnings of FFr 7.1m in the first six months of last year.

Moulinex sales declined by 2.5 per cent in the first six months to FFr 1.37bn from FFr 1.48bn during the same period last year. However, the company said sales were picking up.

For the first nine months of this year they totalled FFr 2.23bn or 1.42 per cent lower than the FFr 2.27bn sales for the first nine months last year.

Capital gains boost earnings of troubled Swedish conglomerate

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NORDSTJERNAN, the troubled Swedish conglomerate with interests in shipping, steel, construction, retailing and engineering, has staged a modest recovery in the first eight months of the year increasing profits (after financial items) to SKr 172m ($24.7m) from SKr 29m in the corresponding period last year.

Earnings have been boosted by capital gains of SKr 88m on the sale of ships and property which are included as operating income.

Profits before tax and allocations jumped to SKr 284m from SKr 5m in the first eight months of 1985 helped by net extraordinary gains of SKr 112m from the disposal of operations chiefly in the engineering division.

Nordstjernan, Sweden's 12th largest corporation and the largest still in private ownership, has suffered from poor profitability for more than a decade. In 1984 it slumped to a pre-tax loss of SKr 487m and just managed to break even last year with a pre-tax profit of SKr 11m on sales of SKr 17.6bn.

Group turnover in the first eight months of 1986 totalled SKr 9.8bn compared with SKr 11.6bn a year earlier. Some SKr 1.52bn of the reduction is accounted for by the disposal of operations during the year. On a comparable basis turnover fell by 3 per cent.

In an attempt to restore profitability, Nordstjernan is undergoing a far-reaching restructuring, which has already involved the sale of around 50 operating units with total sales of some SKr 4.4bn and a workforce of 4,800

Improvements in operating income this year have chiefly come from the shipping and special steel divisions, while the engineering division ran up a loss (after financial items) of SKr 45m compared with a profit of SKr 43m a year earlier, and the retailing operations suffered a loss of SKr 21m.

Nordstjernan has been owned by Sweden's Johnson family for nearly 100 years, but earlier this month it was announced that the owners had taken the first steps towards launching the group on the stock market, at the beginning of the 1990s in an attempt to broaden the company's capital base.

Glass interests to merge

By William Dawkins in Brussels

GLAVERBEL, the largest maker of flat glass in the Benelux countries, has formed a joint venture with Societa Italiana Vetor (SIV), the Italian state-owned glass producer.

The pair are to merge their automotive glass and mirror manufacturing interests in a deal worth BFr 915m ($21.7m). SIV is paying BFr 849m to Glaverbel for 45.9 per cent of the shares in the Brussels-based company's Splintex automative glass operation, while Glaverbel is paying the Italian group BFr 66m for a 45.9 per cent stake in its Ilved mirror making subsidiary.

Splintex and Ilved are to be controlled by a holding company 90 per cent owned by Glaverbel and 10 per cent owned by SIV, although the Italian partner will have three out of the five board seats. Glaverbel, which also makes glass for the construction industry, has recently seen its Splintex division break even after years of making losses

A spokesman explained that the joint venture with SIV, which holds 28 per cent of the automotive glass market, making it the second largest producer after St Gobain of France, would give the Belgian company access to the economies of scale needed to restore Splintex to full profitability.

Rejna of Italy plans purchase

By Our Milan Correspondent

REJNA, the Italian shock absorber manufacturer which was acquired three months ago by Mr Carlo De Benedetti's Sogefi car components holding group, yesterday announced plans to acquire two shock absorber companies in France and Belgium.

It also said it plans to raise L41bn ($29m) through a rights issue to cut its debt.

Rejna officials said the acquisition of Amsu in Belgium and Ressort Industrie in France would create Europe's largest single producer of shock absorbers for cars and trucks in turnover terms.

Rejna last year had L83bn of turnover and is predicting 1986 revenues of L130bn. Amsu has L40bn of annual turnover, while Ressort, which is presently controlled by France's Valeo car components group, also part of the De Benedetti stable, has sales equivalent to L100bn.

INTERNATIONAL COMPANIES and FINANCE

HONG KONG STOCKS AT RECORD HIGH

Henderson Land doubles earnings

BY DAVID DODWELL IN HONG KONG

HENDERSON LAND, a prominent Hong Kong property development group, yesterday reported net profits for the year ended June 30 of HK$301m (US$38.6m) — a 98 per cent improvement on profits last year of HK$152.2m and a clear signal of resurgence in the property sector after the 1982 market crash.

The improved figures coincided with — but came too late to add impetus to — a rally to record high levels on the Hong Kong stock market. Substantial overseas buying pushed the Hang Seng index to 2,343.66 for a gain of almost 58 points on the day.

Stock market turnover amounted to HK$1.17bn. For stockbrokers who regard Hong Kong as a minor or peripheral market, it is worth noting that at this level, turnover was one tenth of that on the Tokyo Stock Exchange, and significantly higher than on most European stock exchanges.

The latest stock market rally followed September trade figures which showed export growth of 28 per cent, and first signs of a surge in China's exports through Hong Kong—reflected in a 34 per cent leap in re-exports. Economists in the territory are now revising 1986 growth forecasts upwards to a range between 6 and 7 per cent.

Impetus to the stock market might equally have come from Henderson Land's strong profits performance. Turnover for the year rose from a restated HK$899.5m in 1984-85, to HK$1.1bn in the year just ended. A final dividend of 8 cents per share made a total of 13 cents for the year, an 80 per cent increase on last year's 7 cents.

Henderson said the improvement came mainly from widening profit margins as development properties acquired in 1984 and early 1985, when property prices were still strongly depressed, were now being sold on to a more buoyant market. A total of 12 projects were completed during the second half of the year.

● In contrast to Henderson's buoyant results, Elec and Eltek, an electronics group which when floated in early 1984 was the darling of the stock market, reported operating losses of HK$78.6m in the year to June 30. After extraordinary losses, the loss was HK$119.3m.

The group asked for a one-day suspension in trading in its shares while the market absorbed news of its losses — which come on top of total losses in 1984-85 of HK$133.5m.

Elec and Eltek's shares were suspended at Friday's closing price of 24 cents—twice the expected placement price of 12 cents for the reconstruction, but almost one-tenth of the HK$2 share price at which the company was floated almost three years ago.

Deal over tax ends Bombay SE crisis

BY R. C MURTHY IN BOMBAY

THE CRISIS on the Bombay Stock Exchange, India's largest, appeared yesterday to have blown over after raids by income tax authorities, code-named Operation Comet, last week prompted brokers to suspend dealings.

Normal trading will resume on the exchange today after five days, and making-up prices will be fixed for the fortnightly settlement of October 24, which was not completed because of the stalemate.

Brokers, satisfied with the terms of settlement between an exchange delegation and tax officials in Bombay, resumed normal working yesterday and settled obligations under the previous fortnightly settlement of October 10.

Mr V. P. Singh, the Indian Finance Minister, asked the tax authorities on Sunday to release the records needed for completing the settlement and facilitate the resumption of trading.

The Government has been concerned over the prolonged closure of India's main stock exchange and its adverse impact on the confidence of investors. Many companies have been having second thoughts on entering the market to raise equity and debenture capital at this juncture.

According to the terms of the agreement, the tax officials have agreed to release share certificates seized by them on proper identification, and allow brokers to have photocopies of their accounts books wherever needed.

The stock market will be closed on Thursday and Friday for Diwali (festival of lights), which coincides with the new year for Indian businessmen. There will be moorat (first day) trading on Saturday and it will be business as usual from Tuesday (November 4).

JVC interim profits fall 70%

BY YOKO SHIBATA IN TOKYO

VICTOR COMPANY of Japan (JVC) yesterday reported pre-tax profits in the first half to September, which were down 70 per cent by Y4.01bn ($24.85m), attributable to decreased exports to the US and China, a struggling domestic economy and the rapid growth of consumer electronics industries in newly industrialised countries such as South Korea and Taiwan.

JVC's net profits fell by 45.3 per cent to Y2.47bn, on turnover of Y281.84bn, a decline of 8 per cent from year earlier.

A foreign exchange loss of Y33.4bn was caused by the yen's steep appreciation against the dollar. This pulled the company into an operating loss of Y4.56bn against profits of Y4.81bn, the first such loss since its listing on the Tokyo Stock Exchange in 1960.

But it managed to generate pre-tax profits with help from earnings on financial transactions and royalty income. JVC will pay an interim dividend of Y6.35, unchanged from the year-before level.

During the half year, domestic sales grew 13 per cent to account for 41 per cent of the total turnover. The ratio of domestic sales was 34 per cent a year earlier. The group's enhanced sales of high-value added products such as the compact VHS videomovie GR-C7 boosted domestic sales. Exports shrank 19 per cent to account for Y165bn.

Full-year sales are projected at Y565bn, down 4 per cent from the previous year. Pre-tax profits are expected to emerge at Y8bn, down 81 per cent.

S. Korea state steel concern to go public

The state-owned Pohang Iron and Steel (Posco), the biggest company in South Korea in terms of assets, has decided *to go public*, according to a Posco official, AP-DJ reports from Seoul.

The steel manufacturing company has assets of about 3,380bn Won ($3.78bn).

When and how Posco shares will be offered will be decided after a team completes a detailed *study* on the plan to offer its shares for public ownership, the official said. Analysts said a share sale is not likely until completion of its second steel plant off Kwangyang Bay on the southern coast of Korea

South Korean law requires *companies* that *go public* to offer at least 20 per cent of their equity. Based on Posco's current issued capital, that percentage would amount to at least 77bn Won.

The largest shareholder in Posco is Korea Development Bank, which owns 39.2 per *cent of the company's equity*. Other shareholders include the Ministry of Finance, which has 32.7 per cent; Korea First Bank, 6.9 per cent; Korea Tungsten Mining, 2.5 per cent; and three other commercial banks which jointly hold 18.7 per cent.

***Posco's sales in 1985 in*creased 5 per cent from a year earlier to 2,000bn Won, while profits rose 2.8 per cent to 62bn Won.**

Reliance Industries share price plunges by 20%

BY OUR BOMBAY CORRESPONDENT

SHARE VALUES of Reliance Industries, known as India's fastest growing company, plunged more than 20 per cent last week on the Bombay Stock Exchange to a year's low.

The fall dragged down other share values, and would probably have been greater had trading not come to a halt in Bombay after the income tax raids.

The immediate reason for the plunge in Reliance shares is reports on an unrelated raid on Reliance corporate offices in Bombay by tax officials, which the company denies. The slide in the shares started in June after a peak of Rs394 on expectations of an increased dividend and bonus issue. They now stand at Rs 212.

An official committee in late September cleared Reliance on charges of having incorrectly channelled bank loans to support its Rs 2.7bn (!216m) debenture issue floated last year. The committee, headed by the Deputy Governor of the Reserve Bank of India (RBI), the country's central bank, was asked in July to inquire into media allegations that a dozen companies affiliated to Reliance raised loans from banks and used the cash to ensure that its debenture issue was oversubscribed by a third.

Indian laws do not prohibit insider trading in shares and debentures but banks cannot lend support to such transactions. The committee says nearly Rs 600m was lent to some 40 trading and investment companies affiliated to Reliance but the loans do not leave the banks unduly exposed. However, it made several observations that are not complimentary to the banks which sanctioned the loans.

Decisions on the RBI committee report are expected to be announced when the Indian Parliament meets again in the second week of November. Investors fear that a recall of these bank loans might strain the company's cash flow. There is also uncertainty over a proposal by Reliance to issue Rs 4bn fully convertible debentures as rights to its share and debenture holders.

The ambition of Mr Dhirubhai Ambani, Reliance chairman, is to make the company a pacesetter for the corporate sector. Reliance doubled its sales in three years to Rs 711bn last year, when it paid a dividend of 50 per cent.

ACM plans to revive mine in Tasmania

By Kenneth Marston, Mining

AUSTRALIAN Consolidated Minerals (ACM) in partnership with Allstate Exploration plans to resuscitate the Tasmania underground gold mine at Beaconsfield in Tasmania. The partners intend to float a new A$15m (US$9.6m or £6.8m) company for the purpose.

An A$8.2m two-year rehabilitation programme is planned for the mine to confirm an ore resource — indicated and inferred from old records and surface drilling — of some 670,000 tonnes grading 24 grams gold per tonne.

Toyota to spend $1bn on North American plants

BY IAN RODGER IN TOKYO

TOYOTA PLANS to spend most of the proceeds of its planned Y200bn ($1.24bn) convertible bond issue on North American factories now under construction.

Mr Shoichiro Toyoda, its president, explained the company's investment plans for the issue at a press conference yesterday at the Nagoya Stock Exchange. Toyota's announcement of the planned issue in August was greeted with considerable surprise by Japanese investment analysts. The company is famous for its wealth, and had net surplus funds of Y1,300bn at June 30.

Mr Toyoda said Toyota would invest $800m in its new car factory in Kentucky and C$400m (US$290m) for a plant at Cambridge, Ontario. Another Y20bn would be spent on a joint venture in Taiwan.

Mr Genaro Tsuji, vice-chairman, said Toyota's profits were likely to bottom out next year and turn upward in 1988 on the strength of increased domestic demand, in-house cost-cutting and the benefits of tax reform. In the year to June, the company's pre-tax profits dropped 24.6 per cent to Y488.4bn.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Warburg endorsed by Japan's PO

BY IAN RODGER IN TOKYO

S. G. WARBURG, the UK merchant bank, has been accredited as a securities dealer for the largest institutional investor in the world.

Warburg is the first British, and only the fourth foreign, dealer to win the endorsement of the Japanese Post Office Life Insurance and Post Office Annuities Funds.

This means that officers of the Japanese Post Office, which had funds totalling Y29,000bn under its management at the end of 1985, may buy and sell securities directly from Warburg.

Mr Christopher Purvis, branch manager of S. G. Warburg Securities (Japan) Inc., described the appointment as "a wonderful seal of approval for us on the day of Big Bang." It remained to be seen what it meant in terms of business, he added.

Warburg has made rapid progress in Tokyo since opening its office in 1978, rather later than some other British merchant banks. However, in 1984, it was the first British merchant bank to obtain a securities license.

Mr Purvis said the arrangement with Japan's post office was the result of a long series of discussions during which Warburg argued that it was important for the organisation to have relations with British as well as US brokers.

The other foreign securities dealers accredited by the post office funds are Merrill Lynch, Salomon Brothers and Morgan Stanley.

● Sir Geoffrey Littler, second permanent secretary of the UK Treasury, in Tokyo yesterday, welcomed the progress Japan had made in liberalising its financial markets. Sir Geoffrey, who was heading the British delegation to the semi-annual consultation between British and Japanese financial officials, added that "we will always urge greater speed."

His comments were made despite the annoyance at the liberalisation moves expressed by the US and European governments.

Mr Toyoo Byohten, Japan's vice-minister of finance for international affairs, noted the "symbolic timing" of the meeting, being the day of Big Bang in London, and how he had enjoyed hearing about the latest moves to reform the UK capital markets.

It was all a far cry from the near shoot-up that took place here in early September when Mr Donald Mulford, the US Assistant Secretary of the Treasury was in Tokyo for similar talks. The Japanese were quick to note the difference.

A Ministry of Finance official said yesterday's meeting was conducted in a very friendly atmosphere. "We are all civil servants, and, whatever differences we may have, we understand each other," he said.

The talks may also have benefited from the lack of urgent issues. The main concern on the UK side was the impending regulatory structure for investment advisory companies in Japan. This is one sector in which British companies have done well in Japan, and there is some fear that the regulations will effectively discriminate against foreign companies.

However, there was no opportunity to discuss the question in detail because the MoF has yet to publish its proposed criteria for regulating this sector. They are due to appear within the next few weeks.

Singapore names dealers for new market

BY STEVEN BUTLER IN SINGAPORE

THE MONETARY Authority of Singapore, MAS, the island-state's quasi-central bank, is to launch a government securities market on March 2 next year, and has awarded licences for five primary dealerships as well as three registered dealers.

The MAS said it would issue S$38bn (US$17.35bn) in bills and bonds over the next five years, with S$7bn expected in the first year.

The market is designed to establish a risk-free benchmark price for securities with the intention of providing underpinnings for a broader private sector capital market. The Singapore Government has no need to raise funds through the issue of bonds, but the MAS may use the market for controlling the money supply.

Four of the primary dealerships have been awarded to Singapore's Big Four banks—Overseas Chinese Banking Corporation, Overseas Union Bank, United Overseas Bank, and National Discount Company, which is owned by DBS Bank.

A fifth dealership will go to Commercial Discount Company, which has several owners, including Tat Lee Bank, Hongkong & Shanghai Banking Corporation, Development Finance Corporation of Australia, Sim Lim Finance, and Singapore Finance.

Registered dealers will act as market makers and will issue two-way quotes, but will not be authorised to bid directly in auction. Licences for registered dealerships were awarded to Citicorp Investment Bank, Indosuez Asia, and Credit Suisse First Boston.

The MAS said primary dealerships had been limited to five because the Government intends to confine the market initially to local investors. Issues with maturities of up to five years are being planned, although 10-year bonds may also be issued if demand is sufficient.

● The Singapore Government has doubled the amount of money that pension fund holders may invest in the stock market or gold, from November 1. The decision increases the potential amount available for such investment to some S$4.8bn. So far only about S$100m has gone into the market.

The Government's initial decision in the spring to open such investments to pension holders is cited as an important factor behind the strengthening of the market in recent months.

Nationwide launches first credit for £200m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NATIONWIDE, the UK's third largest building society in terms of assets, has launched its first credit in the international capital markets. It is raising £200m through S. G. Warburg.

The deal is a straightforward transferable revolving credit with a seven-year maturity and an interest margin of 5 basis points over London interbank offered rates for sterling deposits. In addition the borrower will absorb the cost of mandatory liquid assets for lenders.

The loan carries an annual commitment commission of 1/16 per cent which will apply if drawings fall below 51 per cent of the total.

This is the first credit operation for Nationwide, although it has raised funds in the floating-rate note market. Bankers say the FRN market has been weak recently as sterling has fallen, and the costs of the credit are currently slightly below those that would apply to a bond.

Separately, First Chicago announced yesterday that it is arranging a $100m, five-year loan facility for Michigan National Bank of the US. The operation carries an annual facility fee of 15 basis points and drawings on the accompanying standby credit will carry interest at a margin of 20 basis points plus a utilisation fee of five basis points if more than 50 per cent is taken up.

The facility will allow Michigan National, which has no long-term debt and is unrated, to raise funds in the form of Eurocommercial paper, Euronotes and medium-term notes.

Dome wins majority approval of waivers

By Bernard Simon in Toronto

DOME PETROLEUM, the ailing Calgary energy producer, has obtained the approval of a substantial majority of unsecured public holders of eight European debt instruments to suspend interest and principal payments on their portion of the company's C$6.3bn (US$4.56bn) debt.

Dome said yesterday that more than 70 per cent of the holders of three series of Swiss franc bonds and notes totalling SFr 300m have agreed to waive payments from October 28 1986 to June 30 1987. Earlier this month, holders of five US dollar-denominated instruments gave their approval at meetings in London to similar waivers.

Dome's 56 bank and corporate creditors earlier insisted that public debt holders should make the same sacrifices that they have in waiving interest and principal payments. The exercise was complicated however, by the need to track down the public debtholders because one series of Swiss notes matures this month.

The vote by the holders of the Swiss franc instruments clears the way for Dome to proceed with negotiations on a sweeping recapitalisation plan. Major lenders are being asked to convert a large portion of their debt into securities, whose value would be partially linked to international oil prices.

Dome, which is one of the world's largest corporate debtors, has warned that the temporary waivers and the restructuring are essential to its survival. The company estimates that its debt would balloon to C$12.3bn by 1997 if the recapitalisation plan is not adopted.

The company plans to ask the bank lenders to extend the waivers on the bulk of their interest and principal payments until next June, by which time it hopes that the restructuring will be in place. Assuming they agree, Dome will make a special payment of interest accrued to October 31, totalling C$16m, to the unsecured public debt holders.

BIS figures

In an article in yesterday's FT on commercial bank lending to developing countries, the period covered by the Bank for International Settlements figures was given incorrectly as the second quarter. The BIS study covers the 2½ years from the end of 1983 to mid-1986. During that time the most heavily indebted countries received $15bn in new loans from commercial banks but repayments exceeded this by $2.3bn, making total principal repayments of $17.3bn.

N. AMERICAN QUARTERLIES

ANHEUSER-BUSCH
Largest US brewer

Third quarter	1986 $	1985 $
Revenue	2.22bn	2.01bn
Net profits	157.9m	143.6m
Net per share	0.52	0.46
Nine months		
Revenue	6.30bn	5.83bn
Net profits	406.6m	384.5m
Net per share	1.32	1.16

CANADIAN OCCIDENTAL PETROLEUM
Petroleum

Third quarter	1986 C$	1985 C$
Revenue	—	—
Net profits	12.1m	24.3m
Net per share	0.37	0.71
Nine months		
Revenue	380.3m	490.5m
Net profits	30.8m	98.5m
Net per share	0.93	2.91

CAROLINA POWER AND LIGHT
Utility

Third quarter	1986 $	1985 $
Revenue	577m	546m
Net profits	110.9m	105.0m
Net per share	1.26	1.25
12 months		
Revenue	2.0bn	1.9bn
Net profits	356.7m	329.5m
Net per share	3.97	3.97

CINCINNATI GAS AND ELECTRIC
Utility

Third quarter	1986 $	1985 $
Revenue	310.3m	298.0m
Op. net profits	48.7m	41.1m
Op. net per share	0.97	0.80
12 months		
Revenue	1.4bn	1.4bn
Op. net profits	183.3m	150.5m
Op net per share	3.61	2.90

COMPUTER SCIENCES
Computer services

Second quarter	1986-87 $	1985-86 $
Revenue	249.4m	209.3m
Net profits	7.17m	4.93m
Net per share	0.46	0.35
Six months		
Revenue	483.4m	396.9m
Net profits	13.8m	10.1m
Net per share	0.92	0.73

DOW CORNING
Joint venture by Dow Chemical and Corning Glass Works

Third quarter	1986 $	1985 $
Revenue	283.6m	227.5m
Net profits	33.7m	23.4m
Nine months		
Revenue	803.7m	683.3m
Net profits	86.6m	70.9m

EATON
Transport, electrical and electrical goods

Third quarter	1986 $	1985 $
Revenue	897.6m	869.1m
Net profits	†11.8m	50.2m
Net per share	†0.38	1.52
Nine months		
Revenue	2.8bn	2.7bn
Net profits	90.8m	175.7m
Net per share	2.8bn	2.7bn

† Loss

Reluctance to position ahead of US refunding

BY CLARE PEARSON

YESTERDAY was a harassing time for London's domestic securities markets as dual-capacity trading began, but a quiet Monday for the Eurobond market. Dealers were reluctant to take up positions ahead of the forthcoming re-funding programme in the US Treasury bond market, which will be seen as a crucial test of Japanese demand for dollar-denominated bonds.

New issuing activity was concentrated in the "currency" sectors of the Eurobond market, where two UK-based companies issued debt which will be swapped into dollars.

Heron International, the UK-controlled private property and finance company, issued FFr 400m seven-year bond, led by Crédit Lyonnais. The issue was priced at 99½ with a 8⅞ per cent coupon, which dealers said looked attractive compared with yield levels in the secondary market.

But many also said the bond's trading performance was hampered by lack of familiarity with Heron's name, and by investors' preference for shorter-dated paper. The lead-manager quoted a bid price of 97½, a discount to issue price at the level of the total fees.

Meanwhile J. Sainsbury, the UK food retailing group, issued a Y5bn bond. Mr Ewan Davidson, the company's treasurer, said that the proceeds were being swapped into dollars and used to finance most of the company's investment in Shaw's, a New England supermarket chain, replacing short-term borrowings.

INTERNATIONAL BONDS

The bonds were denominated in amounts of Y10m, large for a Y5bn deal. This led to speculation that the bond, issued by J. Sainsbury (Finance), was being placed by lead-manager Mitsubishi Trust International with a few institutions. But Mitsubishi Trust said that the issue was being bought by a range of investors, although one Continental institution was buying a large chunk.

The 5⅛ per cent five-year deal, priced at 101⅛, looked aggressive. The deal was quoted at a discount to issue price of 1⅝ per cent, the level of the total fees.

After falls last week in share prices in Tokyo, Daiwa Europe increased the coupon on its $300m equity warrants bond for Sekisui House when pricing took place yesterday. The coupon was increased by ⅛ per cent from the indicated level, to 3⅛ per cent. The bond was quoted at a 97 bid price.

Prices of D-mark bonds ended the day little changed, although 30-year bonds were marked down by about ½ percentage point on the day. A recent DM 300m 6 per cent 10-year bond for the World Bank was bid at 95½, as against a 96⅛ issue price.

In the Swiss franc market prices were unchanged to slightly easier yesterday. Buying interest was low. A recent SFr 150m 10-year 5½ per cent bond for Heron International closed its first day's trading at 98½, compared with a par issue price.

Union Bank of Switzerland led a 10-year bond for Industrial Credit and Investment Corporation of India, guaranteed by India. The issue, for a minimum of SFr 75m, has an indicated yield of 5⅛ per cent, but terms will be fixed tomorrow.

SES lowers size of levy for members' lifeboat fund

THE LEVY on commissions earned by Singapore stockbrokers used to create a lifeboat fund for members in financial difficulties will be reduced to ½ per cent from ¾ per cent on November 1, exchange officials said, Reuter reports.

The levy for the fund, which stands at $20m, will continue indefinitely. Funds have been earmarked for disbursement to members and some $4m have been paid out to investors.

In March, the exchange said it would honour all bona fide contracts transacted through the exchange, including those with member companies under independent management, receivership or liquidation.

Bond trading in Chinese city

A CAPITAL market centred on stocks and bonds has opened in the central China city of Wuhan, Reuter reports.

The volume of capital transactions reached 400 yuan in the first two hours after the market opened on Friday.

China's first securities market since 1949 opened in Shenyang in August, trading bonds.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	96⅝	97⅛	0	+0⅝	8.25
Amoco Co. 9⅞ 16	200	103½	104	−0⅛	+0⅝	9.56
Australia Com. 11 95	200	113⅜	113⅞	−0⅛	+0⅛	8.69
Australia Com. 11¼ 00	300	113⅝	113⅞	−0⅛	+0½	9.42
BP Capital 9⅞ 94	100	103⅞	104⅜	−0⅛	+0⅜	8.94
British Telecom 7⅞ 96	250	95⅛	95⅝	−0⅛	−1⅛	8.52
Campbell Soup 10½ 95	100	113¼	113⅞	0	+0⅛	8.60
Canada 9 96	1000	104⅝	105⅛	0	+1	8.22
Canadian Pac. 10¾ 93	100	108⅛	109⅛	−0⅛	+0⅜	8.55
CEPME 10¼ 91	100	108¼	108⅝	−0⅛	+0⅜	8.00
Citicorp 8¼ 93	200	97½	98	0	+0½	8.69
Credit Lyonnais 9 92	200	106⅝	104⅜	−0⅛	+0⅛	7.69
Credit National 9⅞ 95	150	105⅛	106	0	+0⅝	7.94
Daiwa Securities 2⅞ 91	120	†78	78½	—	—	12.07
Denmark Kingdom 7¾ 95	250	97⅜	98⅛	−0⅛	+0⅝	8.12
Denmark Kingdom 8¼ 91	300	101⅞	102¼	−0⅛	+0⅜	7.72
Deutsche Bank Fin. 8 96	130	96⅜	97⅛	0	+0⅜	8.39
EDC 8½ 92	100	102⅞	103⅛	−0⅛	+0⅛	7.75
EEC 8¼ 96	100	100⅝	101¼	+0⅛	+0⅛	8.09
EEC 8⅝ 91	150	104⅛	104⅝	−0⅛	+0⅛	7.35
EEC 9⅝ 90	350	105⅛	106⅛	0	+0⅛	7.74
EIB 10¼ 94	200	110⅛	110⅜	+0⅛	+0⅜	8.50
EIB 12 95	200	122⅛	122½	−0⅛	+0⅜	8.24
Eurofima 7¾ 91	100	100½	101	−0⅛	+0⅛	7.54
Export Dev. Corp. 10 90	100	108⅛	108⅝	−0⅛	+0⅛	7.17
Finland 7½ 93	200	97¼	97⅞	−0⅛	+0½	7.98
Ford Motor Cred. 10½ 91	150	109¼	109¾	−0⅛	+0⅜	8.12
Ford Motor Cred. 11⅞ 90	100	109½	110	−0⅛	−0⅛	7.88
Gen. Elec. Cred. 10¼ 00	200	106¼	107⅛	−0⅛	+0⅜	9.31
GMAC 10¼ 89	200	107	107⅜	−0⅛	+0¼	7.32
GMAC 8½ 93	200	100⅞	101¼	−0⅛	+0⅜	8.28
IADB 9⅞ 95	200	109⅛	109⅝	0	+1	8.36
Liberty Mutual 8½ 96	150	99⅝	100	0	+0⅛	8.53
LTCB of Japan 8 91	100	101⅛	102	−0⅛	+0⅜	7.57
Merrill Lynch 8¼ 91	100	102⅜	103⅜	0	+0⅜	7.85
Mercds.-Benz Cred. 7½ 93	100	99⅜	99⅞	−0⅛	+0⅛	7.56
Nth. Amer. Philips 8 93	100	96⅛	96¼	0	+0½	8.69
Norway Kingdom 7¼ 91	500	99	99½	−0⅛	+0½	7.43
Pepsico Inc. 7⅞ 93	200	96¼	96¾	0	0	8.57
Proct. & Gamb. 'A' 9⅞ 92	150	106⅛	106⅝	0	+0½	8.49
Qantas Airways 10⅞ 95	140	109⅜	110⅛	0	+0⅛	8.66
Queensland Govt. 10¼ 95	100	108⅝	109⅛	0	+0⅜	8.69
Ralston Purina 11⅞ 95	150	†113¼	113¾	−0⅛	+0⅛	9.56
Saab Scania 9½ 91	125	105	105½	−0⅛	+0⅛	7.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olivetti Intl. 5½ 95	100	*†104⅝	104⅝	0	0	4.84
Pepsico 5¼ 95	150	*†104⅝	104⅝	0	0	4.57
Phibro-Salomon 5⅛ 97	110	*†102⅛	102⅛	0	−1	4.87
Ralston Purina 5⅛ 94	125	*†103⅛	103⅛	0	0	4.89
Settsu Euro. 0 01	100	*†46½	46½	0	−0⅛	5.48
US Steel 5¼ 96	200	*†95⅞	95⅞	0	+2½	5.82
USX Corpn. 5¼ 96	100	*†95⅞	95⅞	0	−0⅛	6.35
World Bank 5¼ 94	150	*†104⅛	104⅛	0	−0⅛	5.11

Average price changes on day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	99	99½	−0⅛	+0⅛	6.06
Denmark 6⅛ 96	20	100⅛	100⅝	+0⅛	+0⅜	6.31
GMAC 5⅞ 91	40	96⅛	96¼	−0⅛	+0¼	6.22
EIB 6⅛ 96	25	99	99½	+0⅛	+0⅛	6.25
Sweden Kingdom 5⅞ 95	20	95	95⅛	+0⅛	+0⅛	6.36

Average price changes on day −0¼ on week +0½

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

INTL. COMPANIES and FINANCE

David Barchard on the rapid growth of a Turkish conglomerate

Profilo adjusts to new opportunities

THIRTY YEARS ago, Mr Jak Kamhi, then a young university graduate specialising in the import of construction materials, was struck by the thought while visiting Europe that it ought to be possible to make some of the things in Turkey that he was buying abroad.

Today Mr Kamhi is one of Turkey's top 10 industrialists, running an empire that extends from construction materials to white goods, electronics, and even luxury yachts.

When a Turk buys a colour television, video recorder, washing machine, refrigerator or *even a cash register, the name* on it may be Sony or National or AEG. But the chances are that it has been almost entirely manufactured in Turkey by a company called Profilo.

This is Mr Kamhi's industrial group which this year is expected to achieve group sales of around TL 367bn ($519m) and profits of TL 22.7bn.

For Mr Kamhi, Profilo is currently riding high after living through many years of almost non-stop problems despite strong demand for the kind of consumer durables in Turkey which fed the group's growth.

In many ways his story is a *classic example of the way in* which Turkish industry grew after 1960 because of the emphasis on import substitution.

But Mr Kamhi feels the group has now adjusted to the free market, export-oriented policies imposed in 1980 by Mr Turgut Ozal, the Prime Minister, even though, as he says with a rueful chuckle: "Mr Ozal has made life much more difficult for us than it used to be."

To outsiders, that might seem a moot point. It may seem amazing that Mr Kamhi's group, and others like it, managed to grow at all in the 25 years before 1980. They had to contend with endless shortages of foreign currency to finance imported machinery and *raw materials, or a militant* labour movement which on one occasion resorted to the sabotage of machinery in Mr Kamhi's plants, and a hostile bureaucratic attitude towards private sector industrialists.

All that ended when Mr Ozal first began his reforms—but groups like Profilo found they were facing a case of swings and roundabouts. The strikes and foreign currency shortages had gone, but so too had easy credit. Interest rates soared while demand in the domestic markets for consumer durables sagged.

"We were not very happy at the *liberalisation policies,"* sighs Mr Kamhi. "But we are alive and it is probably the case that what Mr Ozal is doing is *good for the country."*

The Profilo group today consists of 26 companies, all of which are in profit, according to Mr Kamhi, though he admits the situation was different a year or two back, when the group's Kleenex operation was heavily in the red.

He *says that paying 80 per* cent on bank borrowings restricts his opportunities to invest. The cost of finance and the depreciation of the Turkish lira (which affects the cost of imports) is cited as a major obstacle to new investment and product diversification. In 1985 the cost *of finance* was 13 per cent of Profilo's total prime costs.

Profilo, however, has not stopped investing. Next week Mr Kamhi flies to Japan to talk about a project to manufacture VCRs under licence in Turkey's new free zones in a joint venture with one of the biggest Japanese electronics companies.

The group has always aimed at vertical integration. Only 8 per cent of a Profilo-made refrigerator has to be imported, though for more sophisticated electronic goods such as televisions, the local content drops to around 60 per cent.

The Turkish public is unaware that besides the visible goods which reach the shop windows, Profilo makes *its own inputs* such as cathodic copper, and engages in grey iron and spherical casting and aluminium drawing for instance, and makes many of the thermostats used in its equipment.

Despite the obvious temptation to rely on domestic consumption, Profilo has pushed hard for export business wherever possible in recent years. It has sold colour televisions to Belgium and would like to sell more in the North American markets, despite the difficulties of keeping up with the rapid changes in norms and standards.

Last year Profilo's exports reached TL 21bn — a record for the group. However, pros*pects for* 1986 are not very encouraging as Turkey's main customers in the Middle East, notably Iran and Iraq, have severe cash-flow problems and trade with them has dwindled.

For this reason Mr Kamhi is one of the strongest advocates in the Turkish business world of an early application by Turkey to join the European Community, feeling both that it will offer Europe new markets and enable the *restructuring of Turkish industry* to continue. "I can compete in European markets," he says.

Mobira builds on strength of joint ventures

BY OLLI VIRTANEN IN HELSINKI

MOBIRA, the fast-growing mobile telephone company within the Nokia industrial group of Finland, appears to be putting the popular maxim "if you can't beat them, join them" to good effect.

Last year it launched a successful joint venture with Tandy, the US electronics retailer and microcomputer software group, and has followed this more recently with a link with the Matra electronics group of France.

These two deals have helped Mobira consolidate its position as the leading European supplier of mobile telephones and have led the company to claim that it is just possibly world leader as well.

Last year Mobira's sales totalled FM 641m ($130m)—an increase of 136 per cent from the year earlier. This upsurge was mainly due to Tandy-Mobira Communications, the manufacturing subsidiary 50-50 owned with Tandy.

Based in South Korea, this plant got well into its stride during the last quarter of 1985 and successfully opened up the vast American market to the Finnish group.

The roots of Mobira's success can be traced back to the development of the Nordic Mobile Telephone (NMT) network, jointly created for Finland, Sweden, Norway and Denmark by the countries' telephone administrations. Mobira and Ericsson of Sweden developed the equipment and when inaugurated in 1982 it was the most sophisticated network in cellular mobile telephones in the world.

Since then the NMT has been introduced with local modifications in Austria, Belgium, Holland, Iceland, Spain, Thailand, Malaysia and Indonesia. The construction of an NMT network is under way in Switzerland and Turkey.

Initially Mobira marketed equipment with help from local operators. In the UK, for example, Mobira sold the first generation mobile telephones under the Marconi trademark and the second generation cellular telephones under trademarks of Racal and British Telecom. In Austria, Mobira uses the brand name Bosch after its local partner.

More recently, however, Mobira has begun to raise its profile by selling under its own name. The company has set up a subsidiary in Britain to sell Mobira brand name products. It has a 15 per cent share of the UK market and says that it simply cannot get enough sets to keep up with demand.

Mobira also plans to promote its name in France. The new joint venture allows each company to market telephones under their own trade marks. France will have an estimated 200,000 subscribers in its Radiocom 2000 mobile telephone network by 1990. Matra Nokia Radiomobiles hopes to capture two-thirds of the market—a target based on the fact that Matra Communications has been the main contractor of the French network. There are only about 4,000 connected mobile telephones in France.

Mobira says its European market share in mobile telephones is about 20 per cent. World statistics are difficult to assess but according to Mobira's own calculations it is now number one in the world, too. Mobira claims around 14 per cent of the world market followed by Motorola of the US with 12 per cent.

Technically, mobile telephones still have a long way to go. The NMT system in the Nordic countries enables a direct call from one mobile telephone in Norway to another in Finland, but Mobira is confident of further advances.

One problem is rapid increase in subscribers which causes overcrowing.

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MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

A Japanese upset for venture capitalists

William Dawkins and Yoko Shibata explain the downfall of the robot-maker, Dainichi Kiko

BILLED JUST over a year ago as the future Sony by an enthusiastic Japanese press, Dainichi Kiko — once the star of the Japanese robotics industry — has fallen to earth with a thump.

When Dainichi filed recently for court protection from its creditors, it became the 38th failure so far this year among businesses backed by Japan's fledgling venture capital market. It provides the most startling example yet of how Japanese risk capital is echoing the recent shakeout in its US equivalent — a consequence of too much money chasing similar enterprises based on perhaps over-optimistic hopes.

Dainichi's fate also signals the death blow for the biggest ever joint investment between Britain and Japan in a venture capital industry that is striving hard to broaden the horizons of the companies it supports by itself becoming more international.

It was only in February last year that the group raised Y4.3bn (£15.4m at the then prevailing exchange rate) from six British and one Swiss investment institutions in a placing handled by the London branch of Prudential Bache Securities, the US securities company. The possibility of an impending stock market flotation and an impressive list of 26 existing Japanese institutional investors prompted the Europeans to believe they were onto a safe bet.

Yet now they hold worthless shares in a company that has filed for protection under Japan's corporate rehabilitation law — the equivalent of America's Chapter 11—and has liabilities of about Y5.5bn. A question mark also hang's over the position of DSR Systems, the group's UK assembly and distribution subsidiary, publicly heralded at its launch five years ago as a breakthrough in Anglo - Japanese technological co-operation.

But since DSR's joint managing directors, John Tomlinson and David Walker, have refused to respond to repeated FT telephone and telex inquiries, it is unclear how seriously the Preston-based company is affected by its parent's misfortunes. Meanwhile, Dainichi's new European investors are asking themselves how they managed to lose £15.4m and why it was they failed to see the crisis coming.

In happier days, Dainichi had all the hallmarks of a classic US-style entrepreneurial success story. It was founded in 1971 by Toshio Kohno, a strong-minded engineering graduate who had left university to start a design business. The 31-year-old Kohno's design venture soon failed because, as he later admitted, it lacked the management controls to handle a fast-growing order book. But instead of committing suicide to show respect to his creditors, as advised by his father, Kohno bounced back to set up Dainichi in the small town of Kofu, west of Tokyo, to produce manufacturing machinery for a local tyre maker.

Reputation

The new venture's first domestic breakthrough came three years later in the form of an order from Japan's Public Highway Corporation for a machine, dubbed the Husky robot, to fix roofing panels to road tunnels. Only one was built, because of tunnel design changes, but the Husky helped to construct Dainichi's reputation as a specialist robot producer.

From the start, however, Dainichi had to be heavily export driven because gaining credibility with conservative domestic buyers was harder than breaking into entirely new markets. A distribution accord with Aritmos, a Swedish engineering company in 1978, was followed by similar arrangements with the Sykes engineering group of the UK (the agreement formed the germ of the future DSR Systems), with GCA, a US semiconductor equipment maker and with several other foreign partners.

The result was, as intended, to make Dainichi a leading name for Japanese robots in Europe. Ironically, however, Dainichi's precocious export drive—around two thirds of its sales were made overseas in 1982—contributed to its downfall. The group became fatally vulnerable to the yen's recent steep rise in value.

There were also problems in Dainichi's home market where, in spite of its strong export orientation, the company managed to haul itself to third place in a Japanese robot market worth Y100bn in 1981. Four years later, the market had tripled in size and Dainichi's sales peaked at Y9.02bn, only to plunge in the following nine months to last October to a mere Y3.92bn.

What went wrong? Part of the difficulty was a sudden oversupply of robots caused by the influx in recent years of around 200 new Japanese manufacturers, led by powerful electricals groups like Matsushita and Hitachi.

To make matters worse, the new intensity of competition made it no longer possible, as in Dainichi's early days, to charge customers for the costs of developing custom software for specific robot applications. In short, Dainichi was in a corner. "Kohno's fatal strategic mistake," says one industry expert, "was to fight directly against giant makers of factory automation systems like Fanuc, which have expertise in volume production as well as marketing."

A spate of management defections, believed to be a consequence of Kohno's autocratic personal style, added to the company's problems. Prompted by his anxious bankers, Kohno recruited a new managing director in spring 1985 to implement stringent retrenchments. But a few months later, the new recruit left, driven out by a series of blazing rows which sapped the morale of the company and the confidence of its investors.

In a final bid to save Dainichi, Kohno then sought management, technical and financial support from larger industrial groups. Honda Motor was among the 10 big companies courted as possible partners, but they all stepped back when they discovered the profundity of the smaller company's problems.

Under pressure from his biggest domestic institutional shareholder, Daiichi Mutual Life Insurance, Kohno was forced to step down as president earlier this year in favour of Tetsuo Maruyama, head of Thermovonics, the Japanese offshoot of a US technology company.

Toshio Kohno: part of Dainichi's problems lay in a sudden oversupply of robots

Maruyama and a worried Daiichi Mutual attempted to put together a rescue package with another of the insurance group's investments, Yokogawa Hokushin Electric, a producer of precision measuring equipment. The plan, however, fell flat in the early autumn after Yokogawa Hokushin demanded that the insurance group shoulder Y6bn worth of Dainichi's liabilities and bad debts and that the company be liquidated.

Yokogawa Hokushin's terms were too tough and would have given the new foreign investors no chance of getting any money back for their 16 per cent stake, so Daiichi had no option but to end its credit lines to the robot venture in an attempt to cut everybody's losses. It is too early to say whether the shareholders will be able to salvage anything from the wreckage.

But one thing is clear. The Dainichi Kiko story has created particularly intense embarrassment in financial circles in London and Geneva; so much so that none of the UK institutional investors is prepared to put comments on record. Two lessons, however, have emerged.

The UK investors' failure to realise that all was not well at Dainichi is a classic example of the confusion that can result when a large syndicated deal lands on a venture capital market whose players are not yet fully adjusted to the level of co-operation - syndication - requires. "We all assumed that somebody else had done their homework, when in fact there was no clear leader," says one disgruntled venture capitalist. "As a result, the enquiries we made were very thin."

Ironically, the Prudential Bache offering circular, issued early last year, warns: "It is expected that prospective investors will conduct their own investigations of the company before concluding the proposed transaction," a process which most members of the British consortium assumed had already been carried out by the Japanese institutions.

The second lesson is all to do with the uncertainties of Prudential Bache's position acting simply as a dealer in securities, but also at the head of what was really a venture capital deal. The group felt it did not have the ultimate responsibility to conduct an exhaustive enquiry of the kind a venture capitalist would demand when working alone or leading a deal. That is why the wording on the offer document was stronger than usual for Prudential Bache. After all, quoted companies represent the backbone of the US group's trade and they submit to already tough and detailed information reporting rules.

"It just shows what happens when people trained in quoted investment start dealing with unquoted projects," says another venture capitalist. "Quoted people tend to accept as gospel truth most things that are presented to them because of the safeguards that go with quoted companies. You just can't get away with that in venture capital."

Japan's entrepreneurial climate

Reflecting the economy

By RICHARD EVANS

TO EUROPEANS, Japanese industry appears to be totally dominated by the big paternalistic corporations like Mitsubishi, Sony and Nissan. In reality, the proportion of workers employed in small and medium sized enterprises in Japan has been consistently around 80 per cent of the workforce, a much higher proportion than in Europe and the UK.

Direct comparisons with other countries are difficult because of the different bases used for statistics, but in the UK, for example, only around 51 per cent of workers are employed in companies having fewer than 500 workers.

According to Masamitsu Hiroumi, deputy director-general of the small and medium enterprise agency of the Japanese Ministry of International Trade and Industry (MITI) in a paper to the 13th International Small Business Congress in London last week, Japanese small firms have strongly supported the development of the country's post-war economy. But they have recently needed additional help from the Japanese authorities because of problems caused by the 60 per cent appreciation of the yen against the US dollar.

Hiroumi gave an assessment of the small business sector of Japanese industry that could be instructive for businessmen in the UK and for the British Government.

He argued that small and medium enterprises in Japan had changed as the economy had developed and the way in which they were perceived had also changed.

Through the initial stages of Japan's post-war economic growth small businesses had low productivity and technology levels and because of their reliance on low wages created by a surplus of labour there was a danger that they might be left behind by economic modernisation and become a drag on economic growth.

But then the differences between large and small businesses in terms of both wage levels and productivity began to lessen and attention began to focus on the positive aspects of the small business sector.

One of the major advantages was found to be the inherent dynamism of smaller enterprises. The structure was less complex than that of the larger corporations and this facilitated quicker and smoother communication and decision making.

This in turn allowed for greater flexibility and mobility of small and medium business management. "In addition, small enterprises more often made it possible for owners, which I think have a stronger entrepreneurial spirit than employed managers, to take command at the front line of the business," said Hiroumi.

One of the key indications of this dynamism was the active starting up and closing of businesses. Statistics from 1974 to 1984 showed that around 59 per cent of small businesses closed their doors, but almost the same number of businesses opened up.

Through this constant replacement, the overall industrial structure in Japan had been undergoing a great transition. In addition, there was the entry of small businesses into new fields, and a recent study by the Agency had shown that 52 per cent of all small and medium manufacturing concerns had moved into a new field at some point in their history.

But there were also inherent weaknesses in the present economic position of small businesses, including the growth of protectionism and the strength of the yen, and the Japanese Government had therefore had to adopt a new enterprise policy to cope.

Since last spring, levels of both production and exports had dropped compared with those of a year previously and the pace of bankruptcies caused by the appreciation of the yen had accelerated. The number of businesses predicting poor future performance was also growing.

The adjustment small businesses needed to make were based partly on the Japanese Government's need to harmonise its economic structure with the international economy, and partly on the sheer need to survive.

The pressures were to upgrade products, give products added value, diversify operations and convert to other kinds of business. Accordingly, government assistance had been given to what was given the general title of "business conversion."

New legislation had been introduced to include special loans, credit guarantees and preferential tax treatment, and stronger measures were being considered for regions with particularly severe employment problems.

The Small and Medium Enterprise Agency within MITI was therefore preparing to introduce the necessary legislation in the current session of the Diet, for Japanese parliament, said Mr Hiroumi.

In brief...

Small enterprises with cash in their current accounts could well be losing money without knowing it, warns What to Buy for Business, the consumer guide for managers.

The magazine maintains in a survey of high-interest-bearing cheque accounts that "all clearers give a so-so deal at best when it comes to rewarding you for business cash in their safe hands and a downright rotten one at worst." The report points out that while the average clearing bank current account offers almost no interest, the cheque accounts offered by merchant banks and licensed deposit takers can yield anything from 9 per cent — as available at the Schroder Special Account in the middle of last month when the study was compiled — to 11 per cent at the Wimbledon & South West High Interest Cheque Account.

Several City merchant banks, like Arbuthnot Latham for instance, are actually keen to attract small business deposits. But the report adds that such high interest cheque accounts should only be used as additions to, not as alternatives to, normal clearing bank facilities. They cannot be overdrawn and are in general less convenient to manage.

"The clearers might protest that their full service banking results in overheads that make it impossible to offer such good terms, but the truth is," says the magazine, "that they are increasingly using their business customers to subsidise private accounts."

Details from What to Buy for Business, 11, Kings Road, London SW3 4RP. UK subscriptions are £44.50 for 10 copies.

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UK COMPANY NEWS

Hargreaves capitulates after Belgian coal loss

BY CHARLES BATCHELOR

Hargreaves Group, the fuel processing and transport company, yesterday suddenly capitulated to the £98m takeover bid from Coalite after discovering that its Belgian coal handling operations had overstated the value of stocks.

Hargreaves has been resisting Coalite's overtures for the past three months but decided it could no longer put up a convincing defence after it uncovered a £2.8m deficiency in the value of stocks in Belgium.

Coalite, which has interests ranging from fuel distribution to sheep farming in the Falklands, first bid £77m for Hargreaves on July 28 but increased its offer to £98m on October 16.

Mr Eric Varley, Coalite chairman, said yesterday that he was convinced that Hargreaves had discovered the full extent of the losses. In view of assurances from Hargreaves that its other activities were trading satisfactorily Coalite reaffirmed its view that the acquisition was worthwhile.

The finance directors of the two companies and their advisers did, however, spend most of Saturday discussing Hargreaves' financial position. Mr Varley said Coalite had considered revising its offer but had decided against it.

"Belgium represents only a tiny part of Hargreaves' business," Mr Varley said. "Our main interest from the start has been in their UK operations. We are convinced the company still offers excellent prospects for us."

Hargreaves' board said it had recently become aware of a physical stock deficiency in the Belgian operations, which had only been fully-owned by Hargreaves since March 1986.

Investigations into the deficiency were continuing but it has been possible for the first time to make an informed estimate of the loss, Hargreaves said. The company was considering the possibility of legal action, it added.

If Hargreaves decided to close the company there would be additional costs. The Belgian operations had anyway been expected to trade at a loss this year.

"In all the circumstances the board of Hargreaves believes that the Coalite offer is one which would now be recommended to shareholders," it said. The directors plan to accept in respect of their own holdings.

Coalite is offering 565p in cash and one of its own shares for every three Hargreaves shares. There is also a cash alternative worth 270p for each Hargreaves share.

Coalite's shares fell 6p yesterday to 254p, while Hargreaves fell 5p to 265p.

Burgess Products jumps 65%

Burgess Products, the manufacturer of precision electrical and electronic components, saw pre-tax profits rise by 65 per cent in the 53 weeks to August 2 1986 to £3.1m.

Turnover excluding sales within the group, rose from £33.4m in the previous 52 weeks to £36.3m.

Mr Bob Morton, chairman, reported that the company had completed its main restructuring programme and embarked upon a policy of expansion and growth by acquisition. He noted that the disposal of Burgess' acoustical engineering interests had eliminated the remaining loss-making activities within the group.

He said that prospects for the current year were encouraging, with all operating subsidiaries having healthy order books.

Burgess' precision electrical and electronic components activities turned in pre-tax profits of £1.6m (£1.4m); the acoustical and other engineering products showed a loss of £86,000 (£324,000); and its newly acquired Coin Industries exceeded expectations

The final dividend is 2p (1.5p), making a total of 2.5p (2p) for the year.

● **comment**

Since taking over as chairman of Burgess two years ago, Bob Morton has been not a little unpredictable. Morton made his mark at Euro Exhaust Centres, so it was against expectations when he sold Burgess's interests in the car exhaust sector to concentrate on micro switches. Then he took shareholders by surprise this year by diversifying into coin handling equipment. Morton's strategy is, however, clearly working: organic growth last year was about 50 per cent and earnings per share rose 46 per cent to 15.6p. Both sides of the business have the potential to grow organically at above 15 per cent and, with debt now at nil, further acquisition seem inevitable. Purchases are likely to be in sectors where Burgess already operates and, in view of integration costs, would produce less dynamic results initially than the coin equipment arm. For this year profits of £4.2m are in view. On yesterday's closing share price of 245p and a tax charge of 35 per cent, that produces an undemanding p/e of 12.

Hollis set to pip BBA for control of Grosvenor

By David Goodhart

Hollis, the furniture and timber subsidiary of Mr Robert Maxwell's Pergamon Press, looks poised to slip past the BBA Group to win control of Grosvenor Group, the troubled electronics and engineering company.

Hollis yesterday acquired the 7.8 per cent stake in Grosvenor held by Huntleigh Technology to add to the 10 per cent that has been pledged to it from Cranbury Estates.

BBA, which announced 600 job losses at its Leamington plant yesterday, will today reveal whether it intends to stay in the bid battle. It is widely expected to pull out.

Last month BBA reached an agreed £8m deal with Grosvenor which was topped last week by Hollis's £8.9m offer. The Grosvenor board has in effect withdrawn its recommendation to shareholders to accept the BBA offer by now advising them to do nothing pending further advice.

Today is the first closing date of the BBA offer but it appears that the Grosvenor board is increasingly inclined to back the better offer from Hollis and has no reservations about joining Pergamon.

Hollis is 82 per cent owned by Pergamon and has become the vehicle for Mr Maxwell's new interest in engineering. Earlier in the month Hollis acquired a controlling stake in Stothert & Pitt, the loss-making Bath-based crane maker.

BPCC buys shares in Norton Opax

Mr Robert Maxwell's BPCC bought 50,000 shares in Norton Opax last Wednesday, the day the latter's bid for fellow printing group McCorquodale fell short of success.

BPCC's purchase, at 133p, was not disclosed until yesterday. Mr Maxwell also holds a 10.8 per cent stake in McCorquodale, with which he has backed Norton Opax's £150m bid.

McCorquodale and its financial adviser, Kleinwort Benson, said yesterday that BPCC should have disclosed the purchase by midday on Thursday and that yesterday's announcement had followed a Takeover Panel inquiry at the request of Kleinwort.

Norton Opax said last night that it had learned of the BPCC share purchase only when it was disclosed to the Stock Exchange yesterday morning.

Norton Opax last week claimed acceptances from nearly 41 per cent of McCorquodale and extended the offer until 1 pm on November 7.

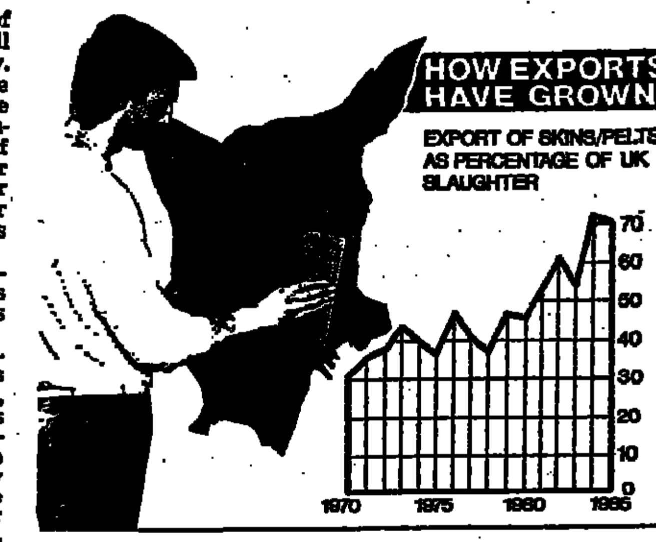
Westland £44.9m capital reduction

A £44.9m reduction in the capital of Westland was approved by the High Court yesterday. The court was told by Mr Richard Sykes, QC for Westland, that the reduction would enable the company to write off a debit balance on its profit and loss account which prevented it from paying dividends.

The company's ordinary share capital would be reduced by £26.6m and its share premium account by £18.3m.

Nikki Tait on the implications of the bid for Garnar Booth

Why the fur is flying so fiercely



THIS WEEK, the future of Britain's leather industry will sit in Paul Channon's in-tray. Winging its way to the Secretary of State for Trade and Industry is the recommendation from the Office of Fair Trading over whether Strong & Fisher's £20m bid for fellow leather maker Garnar Booth merits a Monopolies Commission reference.

The bid may not be large—but the issues it raises look as tangled as the lamb-skins involved.

Already, the OFT's investigation has missed the bid's first closing date. And already, representatives right across Britain's sadly-shrunken leather industry — employers to suppliers — have anxiously chipped in their say about the emergence of a strong buyer who might wish to rationalise.

At heart, the battle is about conflict of trading philosophies — two different ways of dealing with Britain's declining role in an industry where it once stood proud.

The seeds of that destruction were sown after the Second World War, as Third World countries — India, for example — started to build up their own domestic tanning and leather manufacturing businesses.

British firms, obliged to import raw materials at relatively higher cost and lacking a pool of cheap labour — were increasingly hard-pushed to compete.

Result: the amount of finished leather produced by British firms has near-halved from around 445m sq ft in 1971 to around 254m sq ft last year.

Strong & Fisher and Garnar Booth are the two largest players left. Both are family firms, founded in the later-nineteenth century and originally based in London's Bermondsey.

Garnar Booth traces back to James Garnar, great-grandfather of the company's current chairman, Sir Kenneth Newton.

Likewise, Mr Richard Strong managing director of Strong & Fisher, can point for a great-grandfather as founder and nostalgically remember gazing at piles of pelts in Hays Wharf as a child.

Faced with the rising pressure of external competition, Garnar Booth has broadened its interests. For example, when plunging raw hide prices produced hefty stock losses in 1980, Garnar responded by a £2.4m merger — early in 1981 — with Booth (International), and shortly afterwards bought a smaller shoe leather manufacturer. Spencer Leather, for £300,000.

More recently, it has diversified its supply route outside the UK, buying Dutch fellmongery business. Lederfabrick Roorda B.V.

The result of this policy is a company which spans the entire leather process. It buys from the abattoirs, runs three hide and skin markets, and uses its lamb skins to supply five fellmongeries (four in the UK and one in Holland), where the wool is taken off and the skins preserved.

The resulting "pickled pelts" go partly to supply in-house tanneries, but are also sold on to customers both at home and abroad. (Like all fellmongers, it also trades on the wool produced.)

Within the group, there are seven tanneries—and again their business is widespread. The pelts are tanned into nappa and suede for clothing products as well as being split into "flesh," which goes on to produce the chamois for washing leather, and "grain" which ends up as leather for anything from upholstery to handbags.

All that is in sharp contrast to Strong & Fisher. Like Garnar, Strong & Fisher operates hide markets—11 in total—and two fellmongeries. But its pickled pelts go solely towards clothing leather, a high quality product sold to the high fashion industry.

In the past, much of that product was suede. But as suede fell out of favour with the rag-trade in the eighties, Strong & Fisher has swung towards screen-printed and embossed leather. Says Mr Strong: "We are now totally versatile—we lead the fashion changes."

Be that as it may, neither company's recent profits record exactly sparkles. Garnar has turned in pre-tax profits of £3.2m, £4.7m and then £2.5m in the past three years to January 1. In the first half of 1986-87—blaming unhelpful exchange rates, a strike at New Zealand abattoirs and Chernobyl restrictions — it made a £624,000 loss.

Strong & Fisher—in the years to end-June — has produced £2.8m, £4.2m and £4.5m respectively.

So why the bid? Mr Strong makes no secret of his wish to increase the company's supply of top-quality pelts. The group's sheepskins are sourced mainly from the south and from Wales.

Garnar Booth has links primarily with the northern and Scottish abattoirs. Since top-grade clothing leathers can only be manufactured from British steep — they get less scarred on Welsh and Scottish hills — the obvious routes are acquisition or competition.

Clearly, given transportation costs and the facts that skins before being fell-mongered last only a short time, the former is a preferred option.

Monopoly arguments have been invoked on two grounds. First, it is argued that a merged group would buy a substantial chunk of lambskins produced by the British abattoirs. The total kill in 1985 is estimated at around 15.6m. Strong & Fisher says it buys around 3.75m skins. Garnar Booth estimates the Strong & Fisher figures somewhat lower but says its own purchases will have been around 2.6m — around 600,000 for its hide and skin markets and another 2m direct from the abattoirs.

What neither side disputes is that around one-third of the wooled skins available go abroad — principally to Spanish customers.

That would leave a merged group accounting for over one third of the total market but a much higher proportion of the domestically sold kill.

Although many of the abattoirs are owned by the larger groups—like the quoted Hillsdown Holding — there is fear that small abattoirs could suffer.

Mr Strong denies that he would — or could — exercise much market power, given overseas buyers. Garnar Booth says it would be an irresistible temptation encouraging the abattoirs to coldshoulder UK buyers in preference for overseas customers in the longer-run.

At the hide and skin market stage, Garnar's interests are sufficiently small to produce little change in market power. But secondly, once the pickled pelts have emerged from the fell-mongers there is concern that other UK tanners could find their supply — currently partly provided by Garnar — squeezed.

The third potential aspect of the bid—and the one which worries the union involved, the National Union of Footwear, Leather and Allied Trades—is that Strong & Fisher has little interest in Garnar's non-clothing leather interests. In its submission to the OFT, the union estimates that some 700 jobs —in a company which currently employs 1,500—could be at stake.

Although he does not deny that rationalisation might follow a successful bid, Mr Strong dismisses the figures as "nothing like that—besides it would be no more than Garnar is doing anyway."

"Whatever happens," says Mr Strong, "the British leather industry will never be the same."

That is one point on which the two sides might agree. If the bid gets a monopolies green light, a third (smaller) quoted company, Pittard, is rumoured as a "white knight" for Garnar; it too has voiced worries to the OFT. If halted, Richard Strong is unlikely to give up on his quest for lambskin supplies.

And with Hillsdown already rumoured to have eyed both companies, the eventual ramifications could stretch even further afield.

Appleyard approach

Shares in Appleyard Group rose sharply yesterday after the Yorkshire-based motor trader said that it had received an approach from a third party about a possible bid for the company.

Yesterday's 33p increase in the share price, to 188p ex-rights, values Appleyard at £19.5m.

Appleyard said that it was consulting its financial advisers, Hill Samuel, and that it would make a further announcement as soon as possible. It strongly advised shareholders to take no action and not to sell their shares in the market.

The company recently raised nearly £3.2m with a one-for-three rights issue. It said last week that 85.6 per cent of the new shares had been taken up.

Extel to sell City HQ

Extel, the business and sports information service, plans to sell its City headquarters and move group management operations to smaller, central London premises.

The group said that it expected "considerable annual savings" from the move. Extel took a long lease on the five-storey building in East Harding Street in 1956.

The planned sale marks the final stage in Extel's move to separate group management from trading activities.

PWS HOLDINGS—On October 24 a wholly-owned subsidiary of Opticford purchased 50,000 ordinary shares in PWS at 306p. Opticford now holds 9,759,968 ordinary (48.9 per cent).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied Lon. Props ...	1.57	—	1.24*	1.75	1.4*
Ensign Trust	0.7	Jan 24	0.5*	0.9*	0.7*
Klark-Teknik‡	0.7†	—	0.6	1.1	0.6
F. J. C. Lilley ......int	nil	—	1.26	—	3.82
Viking Resources ...int	0.55	—	0.55	—	2
Burgess Products	2	—	1.5	2.5	2
English & Intl. Tst. int	1	Dec 15	1	—	3.85

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock.

Educational

Company Notices

Art Galleries

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord. ...	133	—	7.3	5.5	8.1	7.6
151	121	Ass. Brit. Ind. CULS...	130	—	10.7	7.7	—	—
46	28	Armitage and Rhodes...	37xd	—	4.2	11.4	5.2	4.7
71	67	BBB Design (USM) ...	68	—	1.4	2.1	16.2	16.2
200	108	Bardon Hill	200	—	4.6	2.3	22.7	20.8
85	42	Bray Technologies	85xd	—	4.3	5.1	10.1	9.2
201	75	CCL Ordinary	98	—	2.9	3.0	7.0	10.9
152	86	CCL 11pc Conv. Pf. ...	89	—	15.7	17.6	—	—
263	80	Carborundum Ord.......	251	−2	9.1	3.6	12.1	12.4
94	83	Carborundum 7.5pc Pf.	92	—	10.7	11.6	—	—
148	46	Deborah Services	146	—	7.0	4.8	15.2	20.0
32	20	Frederick Parker Group	22	—	—	—	—	—
125	60	George Blair	96	−2	3.8	4.0	2.6	3.5
94	20	Ind. Precision Castings	94	—	6.7	7.1	8.4	8.3
218	152	Isis Group	152	—	18.3	12.0	8.7	6.8
128	101	Jackson Group	128	—	6.1	4.8	8.7	7.8
377	228	James Burrough	366	−2	17.0	4.6	10.3	9.4
100	85	James Burrough 9pcPf.	93	—	12.9	13.9	—	—
1036	342	Multihouse NV (ASE) .	800	+20	—	—	41.8	54.6
380	260	Record Ridgway Ord....	379	—	—	—	6.8	11.7
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
90	32	Robert Jenkins	87	—	—	—	3.8	5.4
38	28	Scruttons "A"	36	—	—	—	—	—
127	68	Torday and Carlisle ...	125xd	−2	5.7	4.6	7.6	7.7
370	320	Trevian Holdings	322	—	7.9	2.5	6.7	8.8
70	28	Unilock Holdings (SE)	67	—	2.8	4.2	12.3	11.8
102	47	Walter Alexander	95	−1	5.0	5.2	9.1	8.7
226	190	W. S. Yeates	197	—	17.4	8.8	19.7	21.9
96	67	W. Yorks. I. H. (USM)	93	—	5.6	6.0	13.3	13.3

(ASE) Amsterdam Stock Exchange.

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UK COMPANY NEWS

Klark-Teknik downturn accelerates in second half

THE DOWNTURN in profits experienced by Klark-Teknik at the six months' stage accelerated in the second half and for the full 1985-86 year the USM group saw its pre-tax figures fall by 36 per cent to £907,000.

The directors said the setback was primarily caused by the weakness of the US dollar and because no new products were introduced during the year—the group manufactures professional sound equipment.

They pointed out that although the weakness of the dollar did not materially affect unit sales in North America it did make US products more competitive in the rest of the world.

During the year (to July 31 1986) additional expenditure on expansion of the research and development department was incurred which the directors said was vital to the future growth of the group.

The current year had started well and the directors were confident about the future. Progress was being made with a view to further strategic acquisitions.

Earlier this year the group bought Dearden-Davies Associates, an unquoted company in the same line of business, in a cash and shares deal. It also acquired a further 24.9 per cent of Klark-Teknik Electronics, making the company a wholly-owned subsidiary.

Turnover for the past year dropped from £3.22m to £2.97m and at the operating level, profits showed a fall of £502,000 at £779,000. Interest income amounted to £128,000 (£132,000).

Tax at 36.5 per cent accounted for £331,000 (£618,000 at 43.7 per cent) but there were no minority debits (£26,000).

Earnings worked through at 3.9p, down from 5.5p. A final dividend of 0.7p makes a total of 1.1p (0.6p) net per 5p share.

● comment

Klark-Teknik's shares have been on a downward trend since their peak of 150p in April last year and yesterday's figures knocked another 7 off the price to leave them at 66p. The dollar/sterling exchange rate was to blame for £100,000 of the profits downturn and extra R & D spending took another £80,000, but the rest of the shortfall was attributable to the lack of new products such as the digital reverberator which did so much for the 1984-85 performance. Best hopes for the current year rest on the introduction of Klark-Teknik's digital expertise to DDA's sound mixing consoles and the launch of the group's real time analyser, both of which should start to contribute by next spring. With DDA in for the full year, about £1.3m looks within reach—just enough to restore the 1985 earnings level after a tax charge of 35 per cent. An acquisition could improve the prospects, but in the light of the recent performance, the multiple of 12 already seems to be taking that for granted.

Phoenix Timber meeting aims

THE targets set by Phoenix Timber at the end of March were being achieved, Mr Peter Quinn, the chairman, told yesterday's annual meeting.

A financial package to rescue the then struggling company was recently put together by merchant bankers Morgan Grenfell. The package had the support of Investors in Industry, the venture capital group which had £4m invested in the timber company.

In his first AGM since becoming chairman, Mr Quinn said the group had been relieved of most of the burden of borrowings and interest charges by the £5.4m raised in October's share issue, and the group now had a strong balance sheet and a sound foundation for future development.

Although interim results would not be available until December, management accounts were showing a satisfactory trend which, if maintained, would enable the board to recommend a final dividend for the year to March 31 1987 as foreseen in a recent circular.

Mr Quinn warned, however, that the group remained vulnerable to fluctuations in exchange and interest rates and the effects of unduly adverse weather on the building trade.

He added: "We are continuing to dispose of surplus properties and assets, and condensing our head office into a smaller suite at Phoenix House. We will see some benefit from these actions in future months."

Sumrie returns to profit after five years of losses

BY TERRY POVEY

Sumrie Clothes, the Leeds textile company run by Mr Michael Hepker, the controversial former tax lawyer, yesterday reported its first pre-tax profit in any reporting period for five years.

In the 26 weeks to September 26, Sumrie made a trading profit of £51,000 (compared with a loss of £105,000) on a turnover up £185,000 at £1.5m. Interest paid was £26,000 (£32,000), producing pre tax profits of £25,000 (loss of £137,000).

Mr Mervyn Spungin, a member of Sumrie's two-man board, said yesterday that the company had been operating well within the £350,000 overdraft ceiling granted by Barclays. Reviews of this facility by the bank had now been extended to three months from one, he added.

Sumrie was still making use of the £245,000 facility provided by a company closely associated with Mr Hepker, who is chairman and chief executive of the men's suit manufacturer, Mr Spungin said.

The textile company has no finance director and Mr Hepker has assumed this and several other functions in the slimmed down management team.

The company has closed its Goldthorpe factory with the loss of about 90 jobs. Redundancy payments arising from this have been taken as an £84,000 extraordinary charge. As Sumrie had accumulated tax losses, no tax was paid and the loss attributable to shareholders was £86,000 (loss of £137,000).

Before the extraordinary charge, earnings per share of 1p (a loss of 5.48p) were made. No interim dividend is to be paid.

In a statement Sumrie said that the transfer of production from Goldthorpe to the main Leeds factory would cut costs, that demand for the company's product was "running strongly" and that in the second half it expected the long-awaited recovery to continue.

Sumrie's shares closed up 5p at 36p following the interim announcement.

Leisuretime Intl. rights issue attracts 51%

BY RICHARD TOMKINS

Leisuretime International, the hotels and holidays group which announced a one-for-three rights issue at 80p in September, reported yesterday that 51 per cent of the shares on offer had been taken up.

The rest were placed at a premium with institutional investors by the underwriters, County Securities, but after expenses there will be no profits for the original allottees.

The rights issue of 3m shares has raised about £2.2m which Leisuretime will use to strengthen the financial position of Worldwide Dryers, its new acquisition.

Worldwide Dryers is a leading UK supplier of warm air hand-drying equipment on rental contracts, which Leisuretime has acquired to improve the predictability and reduce the seasonality of its earnings. However, Worldwide lost £440,000 in the year to October 1985.

Leisuretime said the acquisition was one reason why its pre-tax profits for the year to this Friday could be as low as £267,000 compared with £477,000 last time.

Kennedy Brookes remains bullish with good sales

BY RICHARD TOMKINS

Kennedy Brookes, the hotel and restaurant group which has been the subject of persistent bid speculation, yesterday put out a bullish statement about its results for the year ending on Friday.

Mr Michael Golder, the chairman, said good sales had been reported in recent weeks in all the group's restaurants and that there had been exceptionally good results in the refurbished and extended units.

"Bookings, not only for the restaurants but also for the hotels for Christmas parties and conferences, are also well up on last year," Mr Golder said.

The severe difficulties encountered in London's Trocadero centre appeared to have passed and the Christmas trade would probably be substantially above last year's.

Kennedy Brookes has been expanding rapidly by acquisition and earlier this month announced an agreed bid for Crusts, the USM-quoted bistro and wine bar chain, for £7.7m.

Mr Golder said it was the group's general improvement, together with the drawing to a close of its heavy refurbishment programme, that had encouraged it to acquire Crusts, and he strongly denied that the company was on the defensive.

"We are not for sale, we are not negotiating, and we do not wish to negotiate," he said.

Kennedy Brookes' shares closed 16p up at 253p.

Ensign Trust lifts assets

Ensign Trust, an investment trust, lifted net asset value per 25p ordinary share by 19 per cent in the year to September 30 from 59.9p to 77.4p.

Total income rose from £7.1m to £7.3m and after tax of £1.1m (£1.4m) earnings per share rose from an adjusted 0.92p to 1.07p. However, an extraordinary charge of £1.6m (£365,000) comprising a provision for liquidated damages payable to the former managers of the company reduced earnings to 0.5p from 0.78p.

The final dividend is 0.7p (0.5p adjusted), making a total for the year of 0.9p, up from the previous year's 0.7p.

The directors said the interim dividend for the current year was likely to be 0.3p (0.2p).

Clayton Son in the black

Clayton, Son & Company (Holdings) turned round a pre-tax loss of £36,987 for the six months to June 30 1985 into a pre-tax profit of £108,066 this time round.

Group turnover rose by 42 per cent from £3.6m to £5.12m.

The directors said that the company was continuing to trade actively and they believed that this would be reflected by reasonable profits at the year end despite a general downturn in the heavy engineering industry.

The company paid £45,000 tax and earnings per share rose to 2.55p after recording a loss of 1.57p last time.

The directors intend to pay an interim of 2p (1.5p) on January 5 1987.

Waverley Cameron in loss

Waverley Cameron, the manufacturer of stationery and associated products, fell to a break-even position in the first half of 1986, but after redundancy payments recorded a loss of £55,560.

Steps have been taken to restructure the operations, and it was anticipated that during 1987 the full benefit of the reduction of manufacturing costs and overheads would be reflected in results.

Turnover in the half year came to £1.56m (£1.42m) and the profit to £128 (£26,000). Provision for redundancy was £56,000.

As well as restructuring operations to take the pressure off margins, arrangements have been made which will lead to termination of manufacturing at the Edinburgh factory, although keeping part of it as the registered office.

Offers "well in excess" of the current book value have been received for the rest of the premises.

UTC Trading leaps 41%

IN THE six months ended June 30 1986, the UTC Trading Corporation lifted its pre-tax profit by 41 per cent to £184,000 and earnings per share by 58 per cent to 0.79p.

He announced the completion of arrangements with Prudential Assurance to raise £2.5m as a 20-year fixed interest rate mortgage on the freehold office property at Aybrook Street, which was now worth some £800,000 more than book value.

Also, the company was raising £1.66m through major institutional holders. American Express will subscribe for a £800,000 loan note, partly convertible into ordinary shares at 25p.

Globe Investment Trust, Water Authorities Superannuation Fund, British Empire Securities and General Trust, and Investors in Industry will subscribe for a total of 4m new ordinary shares at 21.5p each; and each will hold over 5 per cent of the increased capital.

United Trust & Credit, a USM company, holds 24.5 per cent of the existing capital and intends to continue to treat UTC as an associate.

Viking Resources net assets fall

Viking Resources Trust, the investment trust, eased the slide in its net assets per share to 7 per cent in the six months from March 31 1986 to September 30 1986 to report a fall from 54.83p to 51.01p. But in comparison with a year ago, when net assets stood at 92.98p, the fall has been 45 per cent.

The directors said that a new strategy of direct investment in producing properties coupled with investments in oil and gas companies with high levels of reserves and sound finances was being implemented.

Since September 30, Viking had committed $2m to acquiring interests in gas wells in the US.

After tax of £103,000 (£292,000), earnings per share worked through at 0.6p (1.48p). The interim stayed at 0.55.

COMPANY NEWS IN BRIEF

VALUE & INCOME TRUST (investment trust): Interim dividend 0.625p for six months ended September 30 1986. Dividend and interest receivable £172,000. Administration costs £55,000. Income before tax £117,000. Tax £38,000. Earnings per share 0.5p. Net asset value 42p (fully diluted 44p).

ENGLISH AND International Trust is holding its interim dividend at 1p net for the half year ended October 5 1986, from earnings of 2.14p (1.94p) per share. Gross income was £1.12m (£992,000) and net revenue £460,000 (£420,000). Net asset value 203.9p (156.3p).

AMBROSE INVESTMENT TRUST: Earnings for the six months to end-September 1986 rose to 5.4p per share. In Saturday's report the figure was given as falling from 5.16p to 4.4p.

ALEXIS LICHINE & CO, the Bordeaux wine trading subsidiary of Bass, Britain's biggest brewers, has bought a majority stake in Cognax Otard for FFr 30m (£3.2m).

A few more faces from Lloyds Merchant Bank Gilts Team.


Bob Openshaw, Managing Director. 18 years' experience in the Gilt Market and a director of LIFFE.


Jack Wigglesworth, Director and Head of Gilt Sales. Vast experience with Greenwells for 15 years and previously 8 years with Phillips & Drew, a founder of LIFFE.


Roger Boode, Director and our widely respected Chief Economist, best known for his definitive work on the gilt market "Index Linked Gilts"

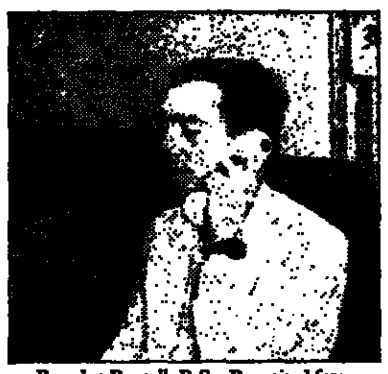

Paul Lucas, Sixteen years' experience in the gilt market both as principal and agent.


Paul Brind, Ex-assistant director of a Discount House with 20 years' experience of the gilt market.


Janet Shields, B.A. Mathematics and Economics. Five years' experience in gilt sales with Pember & Boyle. A member of The Stock Exchange.


David Seaman, Seven years' experience in non-gilt sterling fixed interest markets.


Steve Delaney, Ex-director of major Financial Futures Company. Member of LIFFE. Eighteen years' stockbroking experience.


Brendan Russell, B.Sc. Recruited from Lloyds Bank Plc and now a junior Salesman.


Denis Holmes, Eighteen years' Stock Exchange experience in the gilt market. Member of The Stock Exchange and ex-member of LIFFE.


Paul Johnson, Director, 8 years' experience managing gilt and international bond portfolios, 10 years as a gilt broker.


Anthony Gibbs, Member of the Stock Exchange with fifteen years' experience in the gilt market.


Valerie Baxter, Salesperson. First Class Honours Degree in Mathematics. Six years' experience in gilt fund management.


David Nicholson, Senior Salesman. An Actuary with many years' experience in the gilt market including running a principal book with Scottish Life Assurance and stockbroking.


Mike Lunan, Senior Salesman. Scottish Actuary with nearly 22 years under his belt in the gilt market. Former stockbroker and fund manager with merchant banking and insurance experience. Joins LMB (Govt. Bonds) next week.


Ray Coole, 20 years' stockbroking experience involving all aspects of sterling bonds including corporate finance.


Paul Formstone, Thirteen years' experience in stocklending. Ten years' experience with Stock Exchange Money Broker.


Brian Wales, M.A., Oxford. Originally a physicist. Has worked on the computerisation of gilt analysis since 1981.

Call us.


Mike Sheridan, Chief Accountant joined the company from Morgan Guaranty Trust Co., had wide experience in the financial sector of the City and in Europe, specialising in systems and procedures.


Kim Ng, 10 years with Lloyds Bank International. Heads up the secretariat – place could fall apart without her.


Nigel Halls, 14 years' experience with Mullens involved in gilt settlements for the Government Broker.


Ray Stonehill, Assistant Treasurer of Sun Life of Canada for 12 years where he was responsible for gilt and fixed interest investments. More recently, money broking manager with an Exco Group company.


Philip Mackworth-Praed, 28 years' experience in the gilt market both jobbing and broking.

40-66 Queen Victoria Street, London EC4P 4EL Tel: 01-489 1089 Dealing Room

Lloyds Merchant Bank Government Bonds

This advertisement has been placed by Lloyds Merchant Bank (Government Bonds) Limited

UK COMPANY NEWS

Allied London profits up 21% to £4m

Allied London Properties, the property development, investment and house-building group, boosted pre-tax profits for the year ended June 30 1986 by 21 per cent to £4.05m. Last year the company made profits of £3.35m.

The directors propose a final dividend of 1.5725p, compared with an adjusted 1.24p, making a year's total of 1.75p, against 1.4p. Earnings per share came out at 6.59p (5.35p).

Interest charges rose to £3.48m (£2.38m) and tax was £739,000 (£671,000). There was also an extraordinary debit of £562,000 against a previous credit of £656,000.

The company's property portfolio, which comprises 52 per cent offices, 42 per cent warehouse/industrial and 6 per cent retail shopping, was re-valued at £83m (£78.2m) and incorporated in the accounts. The net asset value increased from an adjusted 107p a share to 114p. Net rental income rose 28.7 per cent to just under £6m. Trading profits rose by £1m to £4.92m.

The proceeds of the £15m first mortgage debenture stock was received during the latter part of the financial year and enabled the company to discharge most of its short term borrowings and have available funds and resources for suitable acquisitions.

Central House, located in Hounslow, was now fully let while detailed planning permission had been granted for a further phase of 65,000 sq ft of office space at Elstree. At Dartford Trade Park the company has let a further phase of 40,000 sq ft and will shortly begin the next phase of some 25,000 sq ft. Additional land for future extension has been acquired.

The new trade park in Dartford, adjacent to the M25 is now being developed and work is in hand for the first unit which is pre-let. In the town centre at Dartford construction of approximately 9,000 sq ft of office space is well advanced. The company has added to its portfolio at Gerrards Cross a site for 6,000 sq ft of office space. Further lettings have been achieved at Cheltenham Trade Park and a new phase of development will commence shortly.

Sterling Homes had another satisfactory year in the south-east. Stocks of additional land in the area have been acquired to enable progress to continue.

● comment

The snails pace of traffic round the M25 should provide plenty of opportunities for window shopping and thus justify Allied London Properties' commitment to Dartford's town centre and trade parks. The M20 service centre looks interesting given the lack of competing facilities, especially as the land is in the books at agricultural values and therefore surpluses are inevitable. However, at £500,00 or 17½ per cent, the rise in administration costs looks uncomfortably high given that no new properties were added to the investment portfolio in the year. Irritatingly Allied London refuses to publish a diluted net asset value but on estimates of 94p as of June 30 the shares, at 73p, are trading on a 23 per cent historic discount to net asset value. On a forward looking asset value of 104p per share, the discount is 31 per cent. This may seem a little on the high side given that the historic yield, at 3.5 per cent, has now caught up with the sector's average, but the company lost its premium status following a dull 1984-85 and is presently ploughing a workmanlike furrow.

E. Upton looking to accelerate improvement

INTERIM FIGURES from E. Upton and Sons, the North of England department store operator, showed that first quarter results were poor, but from May onwards the improving trend had been maintained.

Turnover in the 28 weeks to August 12 1986 went up from £2.22m to £3m, and the trading loss was cut from £41,000 to £37,000. Of those figures, £922,000 and £34,000 respectively related to McKenna and Brown, for 19 weeks from acquisition—it retails audio, visual and photographic equipment and results were in line with seasonal expectations.

The directors said the figures confirmed a stabilisation of the trading position for the department stores.

However, there was a net loss attributable of £211,000 (£173,000) for the period after charging depreciation £112,000 (£105,000) interest paid £57,000 (£46,000), exceptional debit £26,000 (£63,000), and this time minorities of £20,000. Basic loss per share came to 11p (9p) and fully diluted to 8p (5p).

The figures were affected by costs and the attendant disruption caused by integrating the Middlesbrough and Stockton shops, but important operating cost savings have been achieved.

The level of trading in the two companies should ensure that results for the rest of the year would be significantly better than last time. Meanwhile, the directors continued to seek further expansion of the trading base.

Full listing for SUMIT

Continuing growth and new investment opportunities have led the board of SUMIT to seek a full listing and to raise new capital with the placing of new ordinary £1 shares on November 19.

SUMIT specialises in providing development capital for management buy-outs and minority equity interests in unquoted smaller industrial and commercial companies with above average prospects. It was founded in 1980 by Albert E Sharp & Company, the Birmingham based stockbrokers, and 19 investment institutions.

The portfolio covered companies in most regions of the UK, and currently consisted of 25 investments with a total valuation at September 30 of some £14m. Between the beginning of 1982 and the end of 1985 the net asset value grew from 100p to 177p per share.

The listing would achieve the advantages of investment trust status, but the directors felt that Summit should be more properly seen as a development capital company.

British Assets shows advance

With earnings per share rising from 1.81p to 2.2p in the year ended September 30 1986, the directors of British Assets Trust are lifting the total dividend from an adjusted 1.78p to 2.05p net, with a fourth quarterly payment of 0.575p.

At September 30, the net asset value had moved ahead from 63.8p to 77.5p per share.

In the year total income came to £17.4m, compared with £11.89m. Of that, income from subsidiaries represented £6.44m (£659,000), other dividend income £10.12m (£9.76m), and interest received £814,000 (£1.29m).

Expenses were £4.76m (£1m) of which interest payable accounted for £3.87m (£142,000), and the tax charge was £4.03m (£3.77m).

During the year British Assets made an offer for Investors Capital Trust and unsecured loan stock convertible into ordinary shares of GBC Capital was issued as part of the consideration.

British Assets holding in GBC was valued at the lower end of net asset value and the conversion price. Its holding in Investors Capital Trust was valued at net asset value.

Dean & Bowes ahead midway

Dean & Bowes Group, the refurnisher and refurbisher of licensed premises and leisure centres which came to the USM in May this year and which includes Courage and Mecca Leisure among its clients, reported pretax profits up from £202,000 to £261,000 in the six months to June 30 1986.

Group turnover increased by 20 per cent from £1.1m last time to £1.3m.

After increased tax of £101,000 (£89,000), earnings per share worked through at 2.7p (2p). The interim is 1p.

Camco purchase

Camco, US-based supplier of gas lifting equipment and safety systems to the energy industry and a 65.4 per cent subsidiary of Pearson, has acquired the nitrogen and coil tubing assets of Nowsco Services, a wholly-owned subsidiary of Big Three Industries, for $5.4m (£3.84m).

Camco will continue the oil field and industrial services of Nowsco in its principal markets under the name of Nowsco.

BOARD MEETINGS

TODAY

Interims: Chepstow Racecourse, Fobel International, Hille Ergonom, Marks and Spencer, NEC, Smallbone, Top Value.

Finals: British Car Auctions, Chesterfield Properties, Frogmore Estates, Japan Assets Trust, National Home Loans, Wolseley.

FUTURE DATES

Interims:	
BET	Nov. 20
Craig and Rose	Oct. 31
Epicure	Oct. 29
Hunting Group	Oct. 31
Rea Brothers	Oct. 31
Finals:	
Amber Day	Oct. 29
Boulton (William)	Oct. 31
Nolton	Oct. 30

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§170	F.P.	—	205	186	BakerHarrisSaund's10p	205	+2	R4.0	2.7	2.7	19.2
§115	F.P.	—	122	120	‡Berry, Birch 10p	122	+2	R2.5	2.2	4.8	13.1
§95	F.P.	—	145	117	‡Blenheim Exhibits. 5p	117	.....	u2.1	3.2	2.5	16.0
§100	F.P.	—	109	102	‡Citygrove 10p	102	.....	R2.5	2.7	3.5	14.8
160	F.P.	24/10	146	125	Euro Home Products 5p	140	.....	R4.25	2.5	4.3	10.8
§105	F.P.	16/10	112	100	‡Eve Construction	100	−4	u4.5	3.2	6.3	7.0
§135	F.P.	24/10	166	145	‡Great Southern 10p	160	.....	R5.2	2.2	4.6	13.7
	F.P.	—	28	27	Group Development	28	.....	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	206	+1	R3.5	3.2	2.4	18.7
§135	F.P.	24/10	245	145	‡Local London Group 5p	210	−5	W5.0	1.8	3.4	23.7
110	F.P.	5/11	130	119	Marlbor'gh Tech Man 5p	130	+2	R2.70	3.1	2.9	15.1
135	F.P.	—	148	143	Mecca Leisure 10p	148	+2	R4.1	2.2	3.9	16.2
§105	F.P.	24/10	165	135	‡Miller & Santhouse 5p	165	.....	u2.25	2.4	1.9	30.8
—	F.P.	—	31	27	New Australia Inv Wrts	31	.....	—	—	—	—
§75	F.P.	24/10	79	75	‡Newage Trans 5p	75	—	R3.5	2.5	6.6	8.5
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	.....	R1.28	5.7	2.0	12.3
§95	F.P.	—	97	91	‡Rotunda 10p	91	−2	R30.3	2.8	4.6	11.0
§110	F.P.	24/10	108	102	‡Ryman 5p	102	—	L3.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Swadell Perkins 10p	162	—	R3.8	2.9	3.3	14.9
100	50	14/11	102	80¾	TSB	80¾	−¼	W4.26	3.1	4.6	10.0
‖	F.P.	—	365	320	‡Utd. Trust & Credit £1	340	+3	u14.0	2.1	5.8	11.8
§160	F.P.	5/12	179	166	‡Whitney Mackay 10p	166	−1	R4.0	3.0	3.4	13.7
104	F.P.	—	80	80	‡Wooltons Bet'ware 10p	80	.....	dR3.7	1.5	6.5	14.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
#	F.P.	13/11	106	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	104	—
§100	£10	8/1	12⅛	11	East Worcs. Water 12½% Red Deb 94-96	12¼	—
§100	£10	29/1	10¾	9½	Essex Water 11¾% Red. Deb. 2002-04	10	—
¶101.41	£10	26/2	11¾	11½	do 8¾% Red. Pf 1993	11½	—
#	F.P.	14/11	109	106	‡Goodhead Print 7% Cnv. Red. Prf.	108	—
§100	£10	15/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	4	—
—	F.P.	—	100⅛	98⅝	Nationwide 10⅛% 21/9/87	98⅝	—
—	F.P.	—	100¼	100	Do 11¼% 26/10/87	100¼	—
¶101.87	£10	22/1	11¾	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	—
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19⅝	+¼
—	F.P.	—	116p	104p	Scott. & Newcastle 7% Conv. Pref. £1	112p	—
¶102.25	£10	8/1	11¾	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	—
¶¶	F.P.	24/10	122p	115p	WCRS 5.5% Cnv. Cum. Red. Pref. 1999	115p	—
¶¶	F.P.	—	95p	93½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	—
¶¶	F.P.	—	104p	97p	Williams Hldgs 5¾% Cum Cnv Pref	97p	—

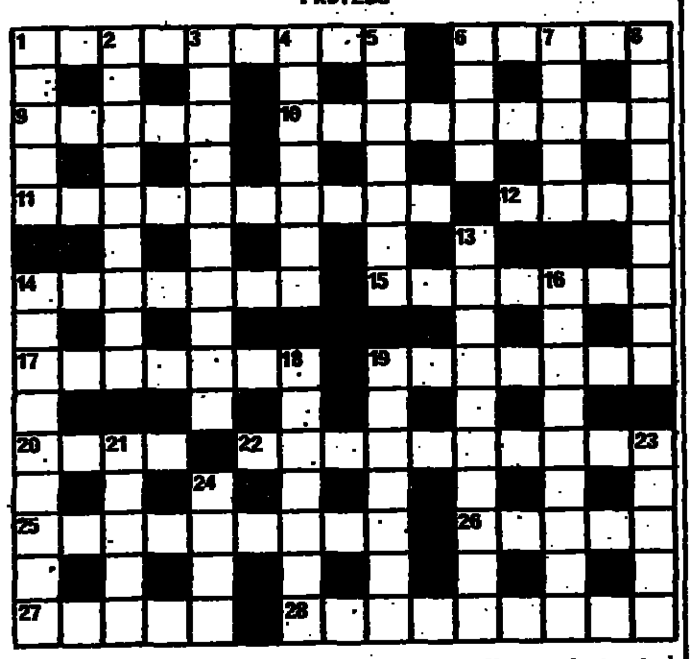
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
180	Nil	5/12	9pm	1½pm	Beazer (C.H.) 10p	1½pm	—
137	Nil	—	18pm	15pm	Bellway	15pm	—
86	Nil	—	6pm	6pm	Brown Boveri	6pm	—
90	Nil	12/12	10pm	7pm	Bryant Hldgs.	8pm	—
71	Nil	24/11	6pm	3pm	Burns Anderson 10p	4pm	—
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	—
285	Nil	15pm	15pm	15pm	FR Group	15pm	—
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	—
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p.	1pm	—
160	Nil	10/12	38pm	32pm	Parrish (J.T.) 5p	38pm	—
100	Nil	—	50pm	43pm	Radcliffe (F.S.) Inds.	45pm	—
720	Nil	—	16pm	10pm	Siebe	11pm	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d. Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6,162

PROTEUS



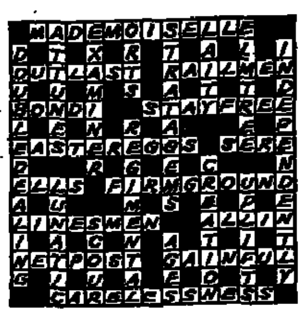
ACROSS

1 Entertainers appreciated by painters (9)
6 Discharged if found turning colour (5)
9 Make outline of part of harness (5)
10 Nobleman correct about legal obligation for vehicle owners (4,5)
11 Be fully sensible of rise in value (10)
12 Letter from Greek sailor recalling about Lawrence (4)
14 Roll includes one blusterer (7)
15 Thin portion of cheese on toast? (7)
17 Provided food for animal—deer, perhaps (7)
19 It may be put on by harsh employer (7)
20 Holy book found by journalist in Virginia (4)
22 Declare animal took food at all times (10)
25 Check clergy seat is put back in office (9)
26 He composed some subtle harmonies (5)
27 Trim lady's gown (5)
28 Bread-rolls others put out for bird (9)

DOWN

1 Literary rule-book got up with skill by America (5)
2 Paper forced into scheme to select same man again (9)
3 Rue perhaps following senior pupil into French department (10)
4 Real ire displayed at prior stage (7)
5 Race-official who shows surprise (7)
6 Tumbled down the hill (4)
7 Sport given by savage elephant (5)
8 He assails the reputation of French farm vehicle (9)
13 Forester getting bank official to accept part of mine (4-6)
14 Put on new coat and got better? (9)
16 Club with a chair adapted for frogs and toads (9)
18 Hopelessness of French pair's performance (7)
19 Removed outer husk when under bombardment (7)
21 Hurry on a stroke (5)
23 Bird brought up by later generations (5)
24 Flower that appears to have a double life (4)

Solution to Puzzle No. 6,161



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	68.1	69.2	.....	—
U.S. Govmt Bond Fd	50.513	0.536	.....	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convbl & Equity Tst	48.4	51.5	.....	7.62
Growth Trust	51.9	55.3	.....	2.24
Income Trust	53.2	56.7	-0.1	5.11

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.2	73.7	.....	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	128.4	136.7	+1.3	3.14

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4MW 0222 35542

AA Friendly Sy Oct 8	—	102.8	.....	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.5	210.0	.....	—
Equity Ser. 1	99.9	105.2	+0.2	—
Prop. Acc. Ser 2	278.5	293.2	.....	—
Equity Ser 2	108.6	114.4	+0.4	—
Selective Acc.	233.1	245.4	+0.4	—
Prop. Ser. 4	220.5	232.2	.....	—
Equity Ser. 4	111.6	117.5	-0.2	—
Fixed Int. Ser. 4	173.8	183.0	-2.0	—
Indexed Inv. Ser. 4	108.3	114.0	-1.1	—
American Ser. 4	258.2	271.8	-0.1	—
High Inc. Ser. 4	282.4	297.3	-3.4	—
Japan Ser 4	222.8	234.5	+1.0	—
Man. Ser. 4	344.3	362.5	.....	—
Money Ser. 4	196.9	207.3	.....	—
European Ser 4	122.5	129.0	+0.8	—
Pension Funds				
Property	357.5	376.4	.....	—
Equity	744.1	783.3	-5.3	—
Selective	246.5	259.5	+0.2	—
Managed	606.6	638.6	-0.9	—

City of Westminster Assurance—Contd.

Far East Fund	206.8	217.7	-1.5	—
North American Fund	173.8	183.0	+0.6	—
Natural Resources Fund	145.2	152.9	-3.8	—
Pension Managed Fund	376.1	395.9	+0.5	—
Pension Equity Fund	247.5	260.6	+0.4	—
Adventurous Mngd Fd	119.1	125.4	-0.1	—
Balanced Mngd Fd	117.1	123.3	+0.1	—
Conservative Mngd Fd	110.7	116.6	+0.0	—
European Fund	107.1	112.8	+0.2	—
International Fund	115.6	121.7	-0.1	—
S.U.N. Flagship Fd	123.9	130.5	-0.5	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	131.1	138.0	+0.1	—
Equity	146.3	154.0	+0.1	—
Property	109.8	115.6	.....	—
Gilt & Fixed Interest	106.4	112.0	.....	—
Indexed Securities	97.6	102.8	+0.1	—
Cash	108.2	113.9	+0.1	—
North American	110.3	116.2	-0.3	—
Far East	121.4	127.8	-0.7	—
International	125.4	132.0	-0.2	—
Special Situations	140.7	148.2	-0.8	—
International Income	140.0	147.4	-0.3	—
American Income	121.0	127.4	-0.1	—
European	151.5	159.5	+1.0	—
Flexible Retirement Plan				
Mixed	134.5	141.6	+0.2	—
Equity	141.2	148.7	+0.7	—
Property	115.5	121.6	+0.1	—
Gilt & Fixed Interest	111.9	117.8	-0.3	—
Indexed Linked	98.9	104.2	+0.2	—
Cash	116.3	122.5	+0.1	—
North America	116.0	122.2	-0.5	—
Far East	133.0	140.0	-1.2	—
International	132.2	139.2	.....	—
Special Situations	157.0	165.3	-1.1	—
European	175.2	184.5	+1.5	—
Executive Investment Pension Plan				
Prices on October 22. Next dealings on Wednesday.				
Cash Fd.	140.3	147.7	.....	—
Mixed Fd.	187.0	196.9	.....	—
Fixed Int. Fd.	140.0	147.4	.....	—
UK Equity Fd.	218.0	229.5	.....	—
Property Fd.	134.2	141.3	.....	—
Overseas Fd.	189.1	199.1	.....	—
Index Linked Fd.	105.4	111.0	.....	—
Stock Ex. Fd.	151.1	159.1	.....	—
North Am Fd.	117.3	123.5	.....	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $18.22 -0.20

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.23
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $16.33
Dynamic Gwth Fd $18.58

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $11.94 12.65

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	10.33	7.72	11.34	3-mth
7-day Fund	10.48	7.83	11.50	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.30(CAR10.70)		..	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.35	7.74	11.32	6mth
7-day Fnd	10.36	7.60	11.11	6mth
Oppenheimer Money Management Ltd				
66 Cannon St. EC4N 6AE 01-236 1425				
Call Fnd	10.20	7.65	10.94	6-Mth
7-day Fund	10.44	7.83	11.20	6-Mth
Dollar	4.89	3.51	5.01	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq. Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.50	10.60	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	10.25	7.66	11.18	Qtr
Mth Int Chq £1,000-£5,000	10.38	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.06	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London. EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.25	12.03	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.50	7.88	11.46	Mth
Barclays Prime Account				
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.50	7.10	10.38	Mth
Over £10,000	9.75	7.29	10.63	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE. 0752 224141				
High Int Chq Acc	11.13	8.32	12.08	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.0	8.22	11.94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	27	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	58
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Britain prepares fresh protest over 'lamb war'

BY ANDREW GOWERS

BRITAIN WAS last night preparing a fresh protest to France in the simmering dispute between the two countries over trade in lamb, following moves by the French customs authorities to step up inspection of British lamb shipments.

Since the end of last week, in a move apparently sanctioned by the Paris Government, customs officers at French ports have been subjecting consignments of British lamb to intensified inspection procedures, involving the unloading of virtually every carcase shipped.

British officials say that while there is nothing illegal about the new checks in themselves, they appear to be discriminating specifically against British lamb and have had the effect of considerably slowing down shipments.

"This is obviously intended to frustrate the normal flow of trade," said one official. "The concept of normal and rational sampling of imports has gone out of the window."

The Agriculture Ministry in London said it was still evaluating the situation but would probably protest again to Paris shortly.

The latest move follows persistent harrassment of lorries carrying British lamb in France in recent weeks, and repeated calls from Whitehall for tougher action by the French authorities to keep the trade channels open. It underlines the perpetual troubles of the sheepmeat sector, which is supposed to be regulated by a complex compromise deal worked out by Britain and France—the two biggest producers within the EEC—after the "lamb war" of the early 1980s.

French sheep farmers are suffering from a sharp fall in lamb prices on the French market and from stiff competition by their British counterparts—principally owing to the drop in the value of sterling against the French franc.

Earlier this month, the EEC agreed to provide subsidies for storage to pull lamb off the market in France, but this appears to have had little effect. The customs move is being interpreted in Paris as an attempt to protect sheep farmers without resorting to direct subsidies.

One other possible option for the French authorities is to press for the extension of cross-border taxes known as monetary compensatory amounts to British lamb exports. These are applied to most other British farm exports to compensate for exchange rate distortions. However, the French Government would probably not want to extend the system to lamb, since it is theoretically committed to the complete elimination of MCAs.

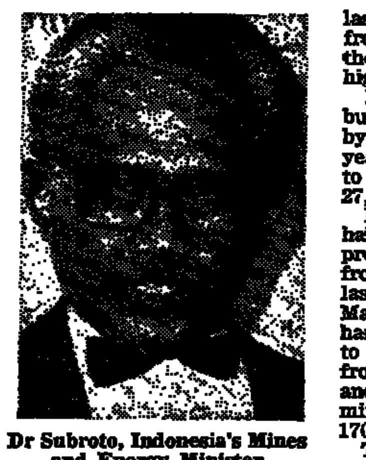
Indonesia urges tin producers to intervene in markets

INDONESIAN MINES and Energy Minister, Dr Subroto, urged leading tin-producing countries yesterday to intervene in international markets to raise prices and stop subsidising Western consumer nations, reports Reuter from Jakarta.

He told a meeting of the Association of Tin Producing Countries (ATPC) that urgent action was needed to help the world tin market recover quickly.

Tin prices are half what they were when a price support operation by the International Tin Council (ITC) collapsed a year ago, leaving the market with large surplus stocks.

"Now that the ITC has been virtually inoperative, the tin industry has been left with the ATPC to turn to for international intervention aimed at restoring normality in the market," Mr Subroto said at the opening of the two-day meeting.



Dr Subroto, Indonesia's Mines and Energy Minister

John Murray-Brown adds: Few observers expect a consensus to emerge from this week's ATPC meeting. Over the past year producers have responded to the tin crisis in very different ways and at the end of a series of preparatory talks last week officials seemed far from agreed on how to tackle the problems of low prices and high stocks.

Indonesia, for example, is bucking the international trend by increasing production. This year, it says, its output is set to rise from 22,000 tonnes to 27,000.

By contrast, as a result of the halving of tin prices, world production is expected to fall from around 160,000 tonnes last year to less than 130,000. Malaysia has been particularly hard hit, with output forecast to fall this year to 23,000 tonnes from 40,000 tonnes last and the number of operating mines decreasing from 400 to 170.

Traders agree, however, that the overriding influence on prices remains the stocks held by the International Tin Council's creditors and producers. Although these have dropped by about one-third this year, about 75,000 tonnes remains to be absorbed by the market.

Coking coal 'to remain depressed'

BY MAURICE SAMUELSON

REAL PRICES of coking coal — the staple fuel for steel-making — will stay depressed for another 10 years, says a report on likely trends in the metallurgical coal market between now and the end of the century.

The two-volume study, published by the London-based Commodities Research Unit, adds that even when coking coal demand revives again it will not keep pace with expansion in the steel market, because of improving fuel-efficiency.

It foresees incessant pressure on high cost and marginal producers to lower costs and warns that some producers will not survive, however much they spend on boosting efficiency. Coking coal sales would also be hit by technical changes in the methods of fuelling blast-furnaces, such as the injection of pulverised coal and anthracite.

Between 1985 and the year 2000, steel output in the non-Communist world would rise by 1.1 per cent a year — from 449m tonnes to 529m tonnes. But the coking coal trade would be deeply affected by sharp differences in the growth rates of steel industries in various parts of the world.

Steel producers in less developed countries would expand much faster than those in North America and Europe.

For example, steel output in Latin America would rise by 3.6 per cent (to reach 61m tonnes a year by 2000).

But it would grow by only 0.4 per cent annually in North America, 0.7 per cent in Europe and 1.0 per cent in Asia (where the largest producer is Japan).

At the same time, producers would be able to lower their ratio of coke per tonne of pig-iron, and because of the decline of their domestic coal industries they would turn increasingly to foreign coal suppliers.

In Northern Europe, for example, demand for imported coking coal should rise from 24.9m tonnes in 1985 to 33.2m tonnes by 2000.

There would be a similar trend in Japan, where consumption of home produced coal would fall from 4m tonnes in 1985 to 1m tonnes in 2000.

In Brazil, where steel output would rise from 20.5m tonnes in 1985 to 38m tonnes in 2000, total coking coal demand would rise by 3.9 per cent a year to reach 18.3m tonnes in 2000.

Metallurgical Coal, Costs, Markets and Prices to the Year 2000, two vols., 389 pages (Commodities Research Unit, 31, Mount Pleasant, London WC1X 0AD), $16,000.

London gold hits 6-week low

By Andrew Gowers

THE GOLD price closed in London yesterday at its lowest level since September 11, following its sharp fall towards the end of last week.

Yesterday's close of $409.75 per troy ounce compared with Friday's final London quotation of $411. However, the market was steady in a narrow range for most of the day and dealers said the immediate selling pressure appeared to have evaporated.

In New York, the Comex gold futures market rose in early trading on the back of a mine-workers' strike at three mines owned by Gold Fields of South Africa, with the December contract touching early highs around $414 an ounce. After slipping back to $408.50, a rally left the contract at $410.30.

Last week's fall was widely attributed to currency factors, reflecting the dollar's sudden rebound. However, a number of analysts expect the recent bout of weakness, following gold's rise to about $440 earlier this month, to continue. Some said yesterday that they would not rule out a move to test the psychologically-important level of $400 in the near future.

Some analysts said the fall in price also resulted from hedging on Comex by dealers and distributors in the US who had taken up a large proportion of last week's US Eagle gold coin issue. This, they said, created nervousness in the market that any further rally would be dampened by heavy selling.

At the same time, some traders have begun to question the assumption about a possible resurgence of inflation which had contributed to the summer rally in the gold price.

Nevertheless, the general prognosis is for renewed price gains in the medium term. Few analysts believe the latest signs of strength in the dollar will continue, and caution prevails about the course of equity and bond markets in coming weeks.

In addition, many dealers are taking comfort from the fundamentals in gold, including the huge demand for coins like the Eagle and the Hirohito commemorative issue in Japan. Interest in the latter has been strong enough to prompt the Japanese authorities to plan a second minting of 5m coins next spring, requiring another 100 tonnes of bullion.

The US enthusiasm shows no sign of waning either. Yesterday, the Senate passed a bill authorising the issue of 1m gold coins and 10m silver coins next year to celebrate the 200th anniversary of the ratification of the US constitution.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday) (tonnes)

Aluminium	+3,375 to 125,725
Copper	+3,825 to 170,625
Lead	−1,075 to 33,725
Nickel	−148 to 8,172
Tin	−380 to 43,565
Zinc	−350 to 21,725
	(ounces)
Silver	−100,000 to 25,148,000

More reasons to be cheerful

FARMER'S VIEWPOINT

By John Cherrington

THE CHANGE in farmers' attitudes over the past year could hardly be more marked. Last year's harvest was difficult and lighter than 1984's, quality was poor and the prices far from good, even for sale into intervention stores. Milk production was below quota and it was generally a miserable time.

Farmers' morale was not helped by the threats from the EEC or even lower prices, co-responsibility levies and the like—to which Mr Michael Jopling, the British Agriculture Minister, had added his own contribution. In fact, Mr Jopling kept telling us that once he took over the chair of the EEC Farm Ministers' Council in July 1986 a real effort would be made to cut the costs of the common agricultural policy (CAP).

On behalf of the European Commission Mr Frans Andriessen, the Farm Commissioner, had made similar threats.

In the event both these prophets of doom were shown to be paper tigers. Cereals were, it is true, attacked with a 3 per cent coresponsibility level and 1 per cent came off the milk quota. The moves worried farmers who were already concerned about the long winter and late spring.

But then, for reasons which had nothing to do with politics, things improved beyond belief. First the British climate produced a wonderfully grassy summer and dairy farmers found that they had no difficulty in exceeding the quota. And they did not suffer for it immediately—retribution in the shape of a levy on overproduction will have to wait until next April when the milk year ends.

Grain growers had been anticipating a miserable harvest with an anxiety which mounted with every day which low temperatures added to the growing season. They had been conditioned into thinking that prices were going to be on the floor and were pleasantly surprised to find that yields were good. Better still, those who had not sold their grain forward found prices were far better than they had expected—well above the levels that had been set for intervention.

There is a lesson here. One of the causes of higher grain prices was the drought in much of Southern Europe, and had they paid more attention to developments fewer British farmers would have sold cheaply early in the season.

Of particular interest was a very good trade for malting barley for export. In fact, UK maltsters have had to fight for their supplies this season. This, I might add, has been the first year for a long time that quality barley has been worth growing rather than feed grains. This underlines the truth that supply and not quality is the real determinant in the market. It is interesting that milling quality of the bread wheat varieties has not been enough to give the millers an incentive to pay a premium for domestically grown supplies. But there has been a lot of second-grade material.

Of the so-called break crops oilseed rape yields exceeded every one's expectations and prices for this and for beans and peas have held up well. As an added bonus the few weeks of dry weather has enabled farmers to plant a lot of cereals in dry but good conditions, while fuel and fertiliser costs have been the lowest for some years.

Beef and sheep producers have not had as good a year. Nevertheless, prices of young beef cattle and sheep have been surging ahead, particularly in Scotland, where I have been spending a few days. It is interesting that only in Wales have I found prices more reasonable—from the buyers' point of view.

Pig and poultry farmers, who receive but little cosseting from the CAP have been left to soldier on without relief from the higher grain prices.

I sense among farmers a notion that things have turned the corner. The fall in land prices seems to have bottomed out and there is not quite so much on the market. This may indicate that the banks are no longer pressing for repayment. To give the banks their due, however, there is not yet much evidence that they have been particularly tough with their customers.

Only the machinery suppliers do not seem to be sharing in this optimism. Sales of tractors and other expensive implements are not showing much buoyancy. This is the result of the abolition of the initial allowances by the present Chancellor.

Farmers can no longer write off the cost of an implement in the year of purchase—the process now takes around seven years. For buildings which receive a 10 per cent annual allowance, the write-off period is well over 20 years. It seems more sensible, therefore, to repair rather than renew capital assets. With interest rates high and inflation low liquidity must be the best policy.

This is undoubtedly so at present because the underlying fundamentals are much as they were a year ago. The world has still a massive surplus of all food products. The CAP is surviving on the fact that no one can determine a policy which can effectively control farm spending. The remedy for the present situation so far escapes the wit of man, or at least of those men who manage the CAP. But farmers cannot rely on that situation lasting for ever. Something will have to give, as it always does in the end in human affairs, however pusillanimous the participants.

LONDON MARKETS

LONDON ROBUSTA coffee futures prices rose yesterday for the fifth successive trading day, the January position's £20 advance taking the aggregate gain to £199.50 a tonne. Nearby positions had fallen by nearly £50 a tonne in the morning in response to rumours that Brazil was planning to sell some of its recent purchases. Dealers spoke of negotiations between Brazil and Indonesia which they said could mean the replacement of coffee bought in Europe to supplement Brazil's own drought-reduced crop. But concern about possible Brazilian sales was shrugged off in the afternoon as the market's bullish sentiment re-established itself. On the London Metal Exchange lead continued its recent strength in the morning, aided by weak sterling and news of a fall in LME warehouse stocks of the metal. But the rise was not followed through and at £317.50 a tonne the closing cash price was little changed from the 17-month peak reached in after-hours trading on Friday.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 24	Oct. 23	M'th ago	Year ago
1586.6	1579.9	1546.5	1711.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 24	Oct 23	M'th ago	Year ago
Spot	121.48	121.73	—	117.05
Fut	120.06	120.88	—	119.69

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 27 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1255/275	−15	$1280/810
Copper			
Cash Grade A	£932.5	−0.5	£943.5
3 mths	£956.75	−1.25	£965.25
Gold Troy oz	$409.75	−1.25	$428.5
Lead Cash	£317.5	+2	£277.75
3 mths	£314.5	+0.75	£282.25
Nickel			
Free Mkt	185/189c	—	188/189c
Palladium oz	$132.50	+1	$156.75
Platinum oz	$579.10	+10	$566.50
Quicksilver†	$150/170	—	$140/168
Silver troy oz	400.35p	+3.25	392.00p
3 mths	411.45p	+3.80	402.35p
Tin			
Free mkt	£4168/228	+35	£2810/50
Tungsten	$61.25		$51.25
Wolfram 22.04lb	$54/64		$32/42
Zinc	£623.5	+4.5	£2615
3 mths	£618.75	+0.75	£2616
Producers	$990		$990
OILS			
Coconut (Phil)	$485w		$270
Palm Malayan	$335v		$230
SEEDS			
Copra (Phil)	$185u		$170
Soyabean (U.S.)	$163u		$165
GRAINS			
Barley Fut. Jan	£112.75	+0.15	£111.40
Maize	£144.50		£145.50
Wheat Fut. Jan	£111.75	+0.70	£110.70
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar	£1552	+3	£1522.5
Coffee Ft. Jan	£2372.5	+20	£2436
Cotton A Ind.*	[illegible]	[illegible]	47.65c
Gas Oil Dec.	$118	−4	$185.25
Rubber (kilo)	67p		66p
Sugar (raw)	$141y	−1	$184
Wool tops 64s	[illegible]		396p kilo

‡ Unquoted. † per 75 lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan. u Nov.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	814-5	−5	815/814
3 months	830-0.5	−1.25	831/828

Official closing (am): Cash 814-4.5 (819-9.5), three months 830-0.5 (835.5-6), settlement 814.5 (819.5). Final Kerb close: 828-9. Turnover: 14,750 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	931.5-2.5	−0.5	934/932
3 months	955.5-7	−1	958/952

Official closing (am): Cash 933.5-4.5 (931-1.5), three months 958.5-9 (955-5.5), settlement 934.5 (931.5). Final Kerb close: 956.5-7.

Standard			
Cash	909-10	−4.5	912/909
3 months	936-7	−1	940/940

Official closing (am): Cash 912-3 (910.2), three months 939-40 (935-6), settlement 913 (912). US Producer prices 63.5-66.5 cents per lb.
Total turnover: 17,950 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	317-8	+2	—
3 months	314-5	+0.75	317/312.5

Official closing (am): Cash 316.5-7 (314-4.5), three months 312-2.5 (311.5-2), settlement 317 (314.5). Final Kerb close: 316-7.
Turnover: 8,400 tonnes. US Spot: 24-26 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2550-60	−7.5	—
3 months	2613-5	+1.5	2620/2611

Official closing (am): Cash 2,555-60 (2,550-2), three months 2,611-2 (2,602-4), settlement 2,560 (2,552). Final Kerb close: 2,612-15.
Turnover: 606 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 15.01 (15.01) ringgit per kg. Unchanged.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	623-4	+4.5	625/622
3 months	618-8.5	+0.75	620/616

Official closing (am): Cash 662.5-3.5 (615-7), three months 618.5-9 (615.6), settlement 623.5 (617). Final Kerb close: 616-17.
Turnover: 9,225 tonnes. US Prime Western: 44-50.75 cents per lb.

GOLD

Gold fell $1¼ to $409½-410 on the London bullion market yesterday. It opened at $410¾-411¼, unchanged from Friday's close, underpinned by strikes at South African gold mines. The metal was fixed at $409.60 in the morning and $409.75 in the afternoon, losing ground on the day, as the dollar remained firm on the foreign exchanges.

GOLD BULLION (fine ounce) Oct. 27		
Close	$409½-410	(£290¾-291¼)
Opening	$410¾-411¼	(£291¼-291¾)
M'n'g fix	$409.60	(£291.116)
Aft'n'n fix	$409.75	(£290.912)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$408-411	(£289¾-292)
½ Krug	$204-213	(£145-151¼)
¼ Krug	$102-110	(£72½-78¼)
1/10 Krug	$44½-47½	(£31½-33¾)
Mapleleaf	$421½-424¾	(£299½-301¼)
Angel	$417-420	(£296¼-298½)
1/10 Angel	$212-220	(£150½-156¼)
New Sov	$97-99	(£69-70¼)
Old Sov	$97¾-99¼	(£69½-70½)
$20 Eagle	$480-530	(£341-376½)
Noble Plat	$590-600	(£419¼-426¼)

SILVER

Silver was fixed 3.25p an ounce higher for spot delivery in the London bullion market yesterday at 400.35p. US cent equivalents of the fixing levels were: spot 563.3c, up 1.2c; three-month 571.65c, up 1.6c; six-month 580.2c, up 1.85c; and 12-month 597.35c, up 3.15c. The metal opened at 399-400½p (563-565c) and closed at 401½-403p (566-567c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	400.35p	+3.25	401.5p	+1.5
3 months	411.45p	+3.80	412p	+2
6 months	422.85p	+3.85	—	—
12 months	444.45p	+3.30	—	—

LME—Turnover: 6 (1) lots of 10,000 oz.
Three months high/low 409p, final kerb 411-3p.

SOYABEAN MEAL

Prices remained firm on the nearby positions with good commercial buying against option hedge selling, reports Muirpace.

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Dec.	133.5-133.6	+0.45	133.6-133.0
Feb.	136.0-136.5	+0.35	—
April	136.0-137.0	+0.60	—
June	134.2-134.5	+0.55	134.6
August	132.2-133.5	+0.10	—
October	133.0-136.5	−0.25	—
Dec.	134.0-139.0	+0.50	—

Sales: 509 (280) lots of 20 tonnes.

COFFEE

Large-scale profit-taking put robustas under pressure following a steady opening, reports Drexel Burnham Lambert. Prices rallied in the afternoon as commission house short-covering of the January position was resumed.

COFFEE	Yesterday close	+ or —	Business Done
Nov	2385-2388	+39.0	2390-2305
Jan	2370-2375	+20.0	2390-2300
Mar	2255-2289	+12.5	2270-2200
May	2245-2250	+2.5	2265-2200
July	2240-2250	+2.5	2254-2246
Sept	2240-2260	+2.5	—
Nov	2240-2298	+5.0	—

Sales: 10,064 (14,618) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for October 24: Comp. daily 1979 162.97 (159.17): 15-day average 163.44 (163.78).

COCOA

Futures were confined to a narrow range and closed slightly higher. Some light second-hand market activity was noted in actuals but overall conditions remained quiet, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business Done
	£ per tonne		
Dec	1515-1516	+3.5	1518-1510
March	1551-1553	+3.0	1565-1548
May	1574-1575	+3.5	1576-1568
July	1595-1597	+4.5	1598-1591
Sept.	1617-1618	+5.5	1617-1612
Dec.	1647-1648	+4.0	1648-1640
March	1673-1678	+4.0	—

Sales: 895 (1,806) lots of 10 tonnes.
ICCO indicator prices (US cents per pound). Daily price for October 27: 93.12 (93.28); five-day average for October 28: 93.37 (93.66).

POTATOES

Poor weekend weather stimulated some buying interest on the opening but this was short-lived and in thin volume values fell away throughout the day to close at the lows, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	105.30	105.80	107.00-105.00
Feb	116.00	117.00	—
Apr	161.00	165.80	167.50-162.00
May	179.30	182.00	181.00
Nov	85.00	85.50	—

Sales: 358 (492) lots of 40 tonnes.

GRAINS

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's Close	+ or —
Nov	108.85	+0.75	110.00	—
Jan	111.75	+0.70	112.75	+0.15
Mar	114.30	+0.80	114.90	+0.45
May	116.35	+1.05	115.65	+0.85
July	118.25	+0.75	—	—
Sep	101.75	—	101.60	−0.10
Nov	104.30	—	103.95	−0.05

Business done—Wheat: Nov 108.85-8.30, Jan 111.95-1.50, March 114.30-3.80, May 116.25-5.80, July 118.25, Sept and Nov untraded. Sales: 834 lots of 100 tonnes. Barley: Nov 110.40-10.00, Jan 113.00-2.90, March 115.00-4.75, May, Sept and Nov untraded. Sales: 200 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No. 1 15 per cent Nov 105.00, Dec 105.75. US No. 2 soft red winter Nov 111.00, Dec 112.75. French 11½-12 per cent Oct 132.50. English feed fob Nov 113.50, Jan/March 117.50, April/June 120.00 paid east coast. Nov 114.00, Dec 115.00, Jan/March 118.00, April/June 120.00 sellers east coast. Maize: US No. 3 yellow/French transhipment east coast Oct 144.50. Barley: English feed fob Nov 115.00-116.00 buyer/sellers, Jan/March 118.00 buyer.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 107.00, E. Mids. 108.70, N. East 110.80, Scotland 107.00. The UK monetary coefficient for the week beginning Monday November 3 (based on HGCA calculations using 4 days' exchange rates) is expected to be unchanged.

RUBBER

PHYSICALS — The London market opened about unchanged, attracted very little interest throughout the day and closed quiet and neglected, reports Lewis and Peat. Closing prices (buyers): Spot 67.50p (67.00p): Dec 66.50p (66.00p); Jan 66.75p. The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No. 1 231.5 (same) and SMR 20 206.5 (206.0).

FUTURES—Index 678, Nov 670-680, Dec 670-680, Jan/March 680-690, April/June 690-700, July/Sept 692-704. Sales: Nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.10p per kg lw (−0.33). GB—Sheep 134.12p per kg est dcw (+7.96). GB—Pigs 79.34p per kg lw (+1.96).

FUTURES—Pigs: Feb 97.50, sales 2. Pigmeat: Nov 1 12.00, sales 2.

US MARKETS

PRECIOUS METALS traded in a narrow range and managed to hold Friday's closing levels despite particular weakness in the oil sector and a dollar which has been gathering a momentum of its own each time it broke through a resistance point, reports Heinold. Most of coffee's volume of trade was seen on the opening, as the market opened sharply lower on a fall in London prices. Continuing dryness in Brazil and some concern whether Colombia can ship as much coffee as it planned in December is supporting prices from further downside moves, and the market gained substantial ground late in the session to close on the highs. Most other markets were lightly traded and primarily influenced by the currency aspect.

NEW YORK

ALUMINIUM 40,000lb, cents/lb

	Close	High	Low	Prev
Oct	50.15	—	—	51.05
Nov	50.30	—	—	51.20
Dec	50.50	51.15	50.50	51.40
Jan	50.55	—	—	51.45
March	50.80	51.35	51.05	51.70
May	51.05	51.90	51.30	51.95
July	51.30	52.10	51.50	52.20
Sept	51.50	—	—	52.40
Dec	51.80	—	—	52.50
Jan	51.80	—	—	52.70

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1945	1959	1940	1952
March	1973	1986	1971	1980
May	2003	2015	1999	2007
July	2024	2030	2020	2037
Sept	2042	—	—	2052
Dec	2065	2070	2060	2072
March	2085	—	—	2092

COFFEE "C" 37,50 lb, cents/lb

	Close	High	Low	Prev
Dec	180.20	180.25	176.75	180.67
March	174.54	184.75	172.00	175.10
May	174.50	174.50	173.00	176.31
July	178.00	176.00	173.00	176.38
Sept	176.00	174.50	174.00	175.75
Dec	176.0	—	—	176.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	44.47	45.25	44.15	44.78
March	45.07	45.80	45.05	45.45
May	45.65	46.25	45.51	46.00
July	46.12	47.20	46.10	46.55
Dec	47.75	48.70	47.50	48.35
March	48.10	—	—	48.12
March	49.52	—	—	50.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.10	—	—	59.50
Nov	59.15	—	—	59.60
Dec	59.45	59.95	59.40	59.90
Jan	59.60	—	—	60.05
March	59.95	60.30	59.90	60.35
May	60.35	60.80	60.40	60.80
July	60.65	61.00	60.75	61.05
Sept	60.95	61.25	61.10	61.30
Dec	61.50	61.95	61.85	61.85
Jan	61.85	61.80	61.80	62.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Close	High	Low	Prev
Dec	14.42	14.86	14.38	15.02
Jan	14.57	15.06	14.55	15.25
Feb	14.62	15.16	14.62	15.31
March	14.60	15.15	14.60	15.30
April	14.60	15.00	14.60	15.29
May	14.80	15.00	14.80	15.27
June	14.75	—	—	15.25
July	14.70	14.90	14.70	15.23
August	14.75	—	—	15.21

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
Nov	38.75	39.60	38.60	40.16
Dec	40.15	41.00	40.01	41.65
Jan	41.30	42.20	41.15	42.86
Feb	42.00	43.00	42.00	43.67
March	41.10	42.10	41.10	42.67
April	40.35	41.10	40.35	41.67
May	39.50	—	39.50	40.67
June	39.15	39.00	39.00	40.20
July	39.65	39.65	39.65	40.35
August	39.50	40.35	40.35	40.85

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	114.90	116.60	114.75	116.20
Jan	116.40	117.80	116.40	117.30
March	16.25	117.65	116.25	117.15
May	116.50	117.50	116.50	117.35
July	116.40	117.25	116.40	117.00
Sept	16.90	117.50	117.20	118.35
Jan	117.95	—	—	118.90

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	408.1	411.6	407.5	407.5
Nov	408.5	—	—	407.9
Dec	410.3	414.0	408.3	409.7
Feb	413.7	417.5	411.8	413.1
April	416.9	420.2	415.1	416.3
June	420.3	423.0	418.7	419.7
Aug	424.0	422.5	422.5	423.4
Oct	427.7	430.0	427.0	427.1
Dec	431.7	434.5	430.5	431.0
Feb	436.0	439.0	433.5	435.3
June	444.9	—	—	444.2

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	576.8	582.0	569.5	563.4
Dec	581.6	—	—	568.2
Jan	581.6	587.0	573.5	568.2
April	585.6	590.5	578.3	572.1
July	590.4	594.5	584.5	576.9
Oct	594.9	595.0	595.0	581.4
Jan	599.4	—	—	585.9

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	563.8	—	—	562.9
Nov	564.6	—	—	563.8
Dec	567.0	574.0	565.0	566.0
Jan	569.8	—	—	568.8
March	575.3	582.5	574.0	574.2
May	580.9	586.5	579.5	579.7
July	586.8	591.0	587.0	585.5
Sept	593.0	596.0	593.0	591.6
Dec	602.4	610.0	600.5	601.0
Jan	605.9	—	—	604.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.45	6.40	6.39	6.37
March	6.93	6.94	6.71	6.76
May	7.11	7.11	6.88	6.91
Sept	7.32	—	—	7.18
Oct	7.46	7.46	7.36	7.23
Jan	7.71	—	—	7.58

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.00	59.00	56.00	57.60
Feb	57.1	57.10	56.25	56.60
April	57.60	57.85	56.90	56.37
June	57.27	57.30	56.75	56.20
Aug	56.25	56.25	55.55	55.27
Oct	55.05	55.05	54.75	54.05

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.45	53.45	52.56	51.95
Feb	50.42	50.42	49.55	48.92
April	45.92	45.92	44.85	44.42
June	48.17	48.32	47.10	46.85
July	47.70	47.95	46.80	46.55
Aug	45.95	46.50	45.70	45.00
Dec	43.75	43.77	43.47	43.45

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	175.6	176.6	173.2	173.6
March	183.4	184.0	181.2	181.6
May	188.0	188.4	186.2	186.6
July	190.0	190.6	188.4	189.0
Sept	189.0	191.0	189.0	190.0
Dec	191.4	192.0	190.2	192.6

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	68.65	68.65	68.25	66.65
March	67.62	67.62	67.05	65.62
May	67.82	67.82	66.55	65.82
July	67.02	67.02	66.00	65.02
Aug	64.42	64.42	62.75	62.41

SOYABEANS 5,000 bu min; cents/60 lb-bushel

	Close	High	Low	Prev
Nov	494.6	495.0	487.0	486.6
Jan	499.2	499.4	491.6	491.0
March	504.2	504.6	497.0	496.2
May	509.0	510.2	503.0	502.6
July	512.0	512.4	506.2	507.2
Aug	510.4	511.4	506.4	504.0
Sept	502.0	502.0	499.4	498.0
Nov	504.0	504.4	500.0	499.6

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	148.2	149.0	148.0	148.8
Jan	149.0	149.5	148.7	149.5
March	149.6	150.5	149.5	150.3
May	150.6	151.0	150.2	151.2
July	151.0	151.5	150.9	151.7
Sept	150.5	152.0	150.5	150.7
Oct	150.7	150.5	151.0	151.4
Dec	152.2	152.0	152.5	152.4

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.83	15.86	15.25	15.07
Jan	16.00	16.05	15.38	15.18
March	16.22	16.25	15.65	15.40
May	16.35	15.85	15.85	15.52
July	16.47	16.50	15.92	15.67
August	16.50	16.50	15.90	15.70
Sept	16.30	16.30	15.85	15.57
Oct	16.26	16.30	16.00	15.51

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Dec	294.2	294.8	285.6	289.0
March	278.6	279.4	272.4	274.2
May	260.6	261.4	256.6	257.4
July	246.4	248.4	242.2	243.4
Sept	246.4	246.4	242.6	243.0
Dec	253.0	253.0	249.2	249.4

SPOT PRICES — Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 566.0 (568.0) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $141.00 (£100.00), down $1.00 (unchanged) a tonne for November-December delivery. White sugar $180.00, down $1.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	140.0-141.1	138.0-138.8	140.0-138.5
Mar	154.2-154.4	151.4-151.8	154.6-151.0
May	158.0-158.6	155.6-156.0	158.6-155.0
Aug	162.6-163.0	160.2-160.0	163.0-160.2
Oct	166.2-167.2	164.0-164.6	164.6-164.6
Dec	168.0-172.2	168.0-169.4	—
Mar	178.0-182.6	176.4-177.6	—

Sales: 2,430 (987) lots of 50 tonnes.
Tate & Lyle delivery price for granulated basis sugar was £202.50 (£203.50) a tonne for export.
International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for October 24: Daily price 5.71 (5.73): 15-day average 5.40 (5.34).
PARIS—(FFr per tonne): Dec 1201-1203, March 1246-1247, May 1288-1293, Aug 1320-1328, Oct 1351-1359, Dec 1388-1399.

FREIGHT FUTURES

The market was dull and thinly traded, awaiting fresh news from the physical market, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	780/786.5	782	779/785
Jan.	758/762	762	769/764
April	799/802	802/800	801/804
July	715/717	715	716/725
Oct.	815/822	—	820/825
Jan.	810/823	—	790/825
Apr.	910/940	—	900/940
July	810/850	—	810/840
BFI.	786	—	784.5

Turnover: 39 (72).

	Close	High/Low	Prev.
Tankers			
Oct.	770/830	—	785/830
Nov.	940/970	950	930/950
Dec.	920/965	—	925/970
Mar.	930/975	—	935/970
June	940/985	—	945/975
BTI.	791	—	793.5

Turnover: 13 (12).

TEA

There were 25,197 packages on offer at the London tea auction, including 400 packages in the offshore section. A strong demand prevailed. Assam CTCs continued to meet keen competition, particularly brighter types which often gained 4-8p. Bangladesh teas remained a strong feature and coloury fines put on 5-10p. Brighter mediums and best liquoring East Africans came in for increased support and frequently advanced by 4-8p—with the remainder firm. Central Africans were irregular and plainer sorts tended easier. Ceylons sold readily at firm to dearer rates, apart from brokens which again met selective equiry. Offshore teas received good support at firm to dearer rates. Quotations: quality 198p a kg (195p) medium 162p a kg (160p): low medium 138p a kg (133p).

OIL

Crude oil prices weakened in thin trading. December WTI opened 27c down on Nymex and traded 44c down by 1.30 pm EST. In the petroleum products market gas oil extended last week's price drop on continued prompt oversupply. Falling futures prices added to the bearish note following disappointments at last week's Opec meeting—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	12.40-12.60	−0.60
Brent Blend	13.50-13.60	−0.40
W.T.I. (1pm est)	14.60-14.70*	n/a
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	157-160	−1
Gas Oil	113-115	n/a
Heavy fuel oil	66-67	−1
Naphtha	123-124	—

* December
Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov.	114.50	−4.00	117.75-14.25
Dec.	119.00	−4.75	122.75-19.00
Jan.	123.00	−4.50	126.50-23.00
Feb.	126.25	−4.00	128.00-26.00
Mar.	122.00	−3.00	124.00-22.00
Apr.	120.75	−3.25	—

Turnover: 3,752 (1,768) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov.	67.25	−2.74	68.00-67.25
Dec.	70.00	−1.00	70.00
Jan.	72.00	−3.00	—
Feb.	73.00	−1.00	73.00

Turnover: 137 (15) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Nov.	158.50	−5.50	—
Dec.	—	—	—
Jan.	148.00	—	—
Feb.	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing October 20 amounted to 364 tonnes. Slow trading brought dealings in Indian, Russian and West African varieties.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains firm

THE DOLLAR remained firm on the foreign exchanges yesterday, but economic data suggested the currency's continued appreciation was in doubt. No US statistics were published, and the next big test for the dollar is not likely to be until Thursday, when the September US trade figures are published.

Yesterday's West German trade figures for the same month were very buoyant, and at DM 10.4bn were only just short of a record surplus, suggesting that the depreciation of the dollar over the last year has not yet fed through to affect trade balances. Stockbroker, James Capel, has forecast a US trade deficit of $15.5bn, but US investment bankers, Morgan Stanley, expects a deficit little different from the $13.3bn shortfall in August. The result is likely to dictate whether the dollar holds on to its recent gains, and the market will also look at US leading indicators on Friday to provide direction, although these are forecast to be roughly flat.

The dollar advanced to DM 2.0465 from DM 2.0320; to FFr 6.6875 from FFr 6.6425; to SFr 1.6925 from SFr 1.6730; but fell to Y160.70 from Y161.35.

On Bank of England figures the dollar's index was unchanged at 111.5.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3760. September average 1.4711. Exchange rate index fall 0.1 to 67.8, compared with 76.4 six months ago.

Sterling lost ground to the dollar and the yen, but improved against major Continental currencies, including the D-Mark. The resignation of Mr Jeffrey Archer, deputy chairman of the Conservative Party caused a little early nervousness, but Big Bang in the City appeared to make no impact on the pound. Sterling fall 60 points to $1.4065-1.4075, and declined to Y226 from Y228, but rose to DM 2.88 from DM 2.87; to FFr9.41 from FFr9.3850; and to SFr2.3825 from SFr2.3650.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 141.5 against 136.1 six months ago.

The D-Mark continued to weaken against the dollar in Frankfurt, and the West German Bundesbank did not intervene when the dollar was fixed at DM 2.0378, compared with DM 2.0239 on Friday. There was little or no reaction to news that the West German current account surplus in September widened to DM 6.8b from a revised DM 4.1bn in Augus. The trade surplus of DM 10.4bn, compared with DM 8.1bn, was only just short of the record DM 10.9bn set in July. A year ago the current account surplus was DM 3.9bn, and the trade surplus DM 7.4bn. The dollar closed at DM 2.0445, against DM 2.0320 previously.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 209.7 against 201.6 six months ago.

The yen was little changed from its Friday close in Tokyo yesterday, with the dollar falling back from the day's peak of around Y162. It finished at Y161.10, compared with Y161 on Friday. Late trading was dominated by profit taking and stop loss selling, after the dollar had failed to move towards Y162.50. Lack of follow-through bying by institutional investors in US bonds led to selling of the dollar by securities houses, to hedge currency risks on holdings of foreign bonds. A rise of 2.6 per cent in September Japanese industrial production, after a fall of 2.7 per cent in August, lent support to the yen, and dealers were also reluctant to buy dollars too aggressively ahead of this week's US trade figures.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2905	+0.41	+1.06	± 1.5368
Danish Krone	7.81701	7.84506	+0.36	+1.01	± 1.6403
German D-Mark	2.11083	2.08486	−1.23	−0.58	± 1.1127
French Franc	6.87316	6.81419	−0.86	−0.21	± 1.3659
Dutch Guilder	2.37833	2.35587	−0.94	−0.29	± 1.5059
Irish Punt	0.764976	0.764914	+0.01	+0.64	± 1.6683
Italian Lira	1476.95	1442.76	−2.31	−1.97	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT—FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

Late rally boosts gilt prices

GILT PRICES finished at the day's highs in the London International Financial Futures Exchange yesterday as dealers overcame initial caution to the new dealing system in the Stock Exchange. The December gilt price opened at 109-14 down from 109.24 on Friday mainly in reaction to sterling's weaker start against the dollar and also weakness in the US bond market. A low of 109-04 was touched before a steadier pound and a better tone in US bonds prompted renewed interest.

This in turn generated a good deal of short covering in the last few hours and the December contract closed at its best level of the day at 110-07. However dealers were a little wary since the mood of the market was still influenced more than anything else by the performance of sterling and although steadier, the latter showed little sign of shrugging off the recent bearish trend. The better tone in gilts later in the day also reflected increased participation by new market makers, emerging after early cash trading in equities had been halted because of technical problems.

US Treasury bond futures finished on a firmer note after losing ground at the start in thin trading. The December price opened at 95-15 down from 95-24 on Friday after light selling in the Far East. It touched a low of 95-12 and showed little initial sign of picking up after the entry of US markets. However a general reluctance to stay short prompted demand late in the day, squeezing locals and pushing the price up to a high of 96-03 before closing at 96-02.

Short sterling contracts traded in a fairly narrow range influenced once again by th performance of sterling. There was little incentive derived from a static cash market and after opening at 88.60, the December contract closed at 88.67 compared with 88.62 on Friday.

Trading in the FT-SE sector was reasonably active considering the early technical problems, with the December contract rising to 159.80 from 159.50.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	4.25	5.44	0.11	1.24
108	2.49	4.25	0.35	2.05
110	1.32	3.18	1.18	2.62
112	0.44	2.24	2.30	4.04
114	0.17	1.43	4.03	5.23
116	0.05	1.09	5.55	6.53
118	0.01	0.48	7.52	8.28
120	0.00	0.30	9.50	10.10

Estimated volume total, Calls 224, Puts 55

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	8.04	8.11	0.00	0.61
90	6.05	6.43	0.02	1.29
92	4.14	5.22	0.10	2.08
94	2.37	4.11	0.33	2.61
96	1.22	3.12	1.18	3.62
98	0.37	2.25	2.33	5.11
100	0.13	1.47	4.09	6.33
102	0.04	1.15	6.00	8.01

Estimated volume total, Calls 202, Puts 252

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
1525	8.67	12.89	1.37	2.59
1550	6.88	11.16	2.08	3.36
1575	5.32	9.57	3.02	4.27
1600	4.00	8.13	4.20	5.33
1625	2.92	6.84	5.62	6.54
1650	2.07	5.70	7.27	7.90
1675	1.42	4.70	9.12	9.40
1700	0.95	3.84	11.15	11.04

Estimated volume total, Calls 1, Puts 20

LIFFE £/$ OPTIONS

[illegible]

LONDON £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

FINANCIAL TIMES

PUBLISHED IN LONDON • FRANKFURT • NEW YORK

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 27, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

[illegible]

MONEY MARKETS

UK rates ease in trading

INTEREST RATES were slightly lower in London yesterday. Short term rates eased in reaction to a small shortage forecast by the Bank of England while longer term rates reflected sterling's steadier trend. The first day of trading in the London Stock Exchange under the new system after deregulation had virtually no impact whatsoever. Three-month interbank money was quoted at 11$\frac{5}{16}$-11$\frac{3}{16}$ per cent compared with 11$\frac{5}{16}$-11¼ per cent while the one-year rate was unchanged at 11$\frac{5}{16}$-11¼ per cent. Overnight money touched a high of 11 per cent before slipping away to 5 per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £50m with factors affecting the market including maturing assistance and a takeup of Treasury bills together draining £570m. These were partly offset by Exchequer transactions which added £125m, a fall in the note circulation of £320m and banks' balances brought forward £80m above target. The forecast was revised to a shortage of around £100m and the Bank gave no assistance in the morning.

In the afternoon the Bank gave assistance of £113m through outright purchases of £44m of eligible bank bills in band 3 at 10¾ per cent and in band 4 £10m of local authority bills and £59m of eligible bank bills all at 10$\frac{11}{16}$ per cent.

In Frankfurt short trm liquidity was boosted by currency swaps carried out by the Bundesbank. Th move to inject funds was seen as an attempt to head off a squeeze on funnds brought about by proximity of the month end. Call money was quoted at 4.50 per cent after touching 4.60 per cent earlier in the day. Liquidity levels had been boosted earlier this month as the authorities sold marks and bought dollars in order to underpin the US unit. This has resulted in a certain amount of fine tuning to keep liquidity levels steady since the Bundesbank has shown no desire to see interest rates move significantly from present levels. Commercil banks were well placed to meet their end of month minimum reserve requirements up until last week whn balances were run down. This has resulted in renewed bidding for funds this week as the month end approaches.

MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

LONDON MONEY RATES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	100[illegible]	Exch. 13¼pc 1987	100[illegible]	+[illegible]	13.20	11.06
100[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]	.....	10.29	11.31
98[illegible]	92[illegible]	Exch 2½pc 1987	98[illegible]	.....	2.55	8.34
101[illegible]	97[illegible]	Exch. 10½pc 1987	99[illegible]	+[illegible]	10.53	11.21
98[illegible]	93[illegible]	Funding 6½pc 85-87	98[illegible]	–[illegible]	6.62	10.39
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	+[illegible]	10.08	11.29
97[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]	+[illegible]	3.11	8.28
104[illegible]	99[illegible]	Treas. 12pc 1987	100[illegible]	.....	11.90	11.15
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	96[illegible]	–[illegible]	8.06	11.02
104	96[illegible]	Exch 10½pc '88	98[illegible]	–[illegible]	10.61	11.32
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	97[illegible]	.....	9.97	11.26
94[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]	+[illegible]	3.26	8.24
102[illegible]	93[illegible]	Treas. 9½pc '88	96[illegible]	–[illegible]	9.80	11.26
107[illegible]	98[illegible]	Treas 11½pc 1989	100[illegible]	–[illegible]	11.46	11.25
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	96[illegible]	–[illegible]	9.86	11.22
92[illegible]	82[illegible]	Treas 3pc 1989	87[illegible]	+[illegible]	3.41	8.40
105[illegible]	95[illegible]	Treas 10½pc 1989	98[illegible]	–[illegible]	10.68	11.23
104[illegible]	94[illegible]	Exch.10pc 1989	97[illegible]	–[illegible]	10.30	11.21
107[illegible]	97	Exch 11pc 1989	99[illegible]	.....	11.05	11.19
93[illegible]	84[illegible]	Treas 5pc 1986-89	88[illegible]	+[illegible]	5.64	9.46
110[illegible]	94[illegible]	Exch 10¼pcCv '89	99[illegible]	–[illegible]	10.28	10.31
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	104[illegible]	–[illegible]	12.43	11.19
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	99[illegible]	.....	11.06	11.19
113[illegible]	101[illegible]	Exch. 12½pc 1990	103[illegible]	–[illegible]	12.06	11.19
89[illegible]	79[illegible]	Treas. 3pc 1990	83[illegible]	.....	3.60	8.61
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	93	–[illegible]	8.87	10.58
106[illegible]	95	Treas. 10pcCv 1990	96[illegible]	–[illegible]	10.38	11.15
86[illegible]	76[illegible]	Exch 2½pc 1990	80[illegible]	+[illegible]	3.12	8.35
112[illegible]	99[illegible]	Treas 11¾pc 1991	101[illegible]	.....	11.55	11.18
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	86[illegible]	–[illegible]	6.61	9.38
86[illegible]	79[illegible]	Treas. 3pc 1991●	79[illegible]	–[illegible]	3.77	8.51
£96[illegible]	—	Tr 10pcCv'91(£40pd)●	£96[illegible]	.....	10.39	11.04
110[illegible]	96[illegible]	Exch. 11pc 1991	99[illegible]	.....	11.06	11.17
		Five to Fifteen Years				
118[illegible]	103[illegible]	Treas 12¾pc 1992‡‡	106[illegible]	+[illegible]	12.02	11.16
107[illegible]	92[illegible]	Treas 10pc 1992	95[illegible]	–[illegible]	10.51	11.20

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	Low	Stock
37[illegible]	28[illegible]	Chemical New York
35[illegible]	26[illegible]	Chesebrough-Pond's
31[illegible]	19[illegible]	Chrysler $6¼
42[illegible]	33[illegible]	Citicorp $4
12[illegible]	774p	CityFed Fin. Corp.
28[illegible]	21[illegible]	Colgate-P. $1
850p	775p	Colt Inds. $1
25[illegible]	16[illegible]	Cons Freightways $0.62
[illegible]	39[illegible]p	Cont'l Illinois Corp
89[illegible]	11[illegible]	Cont Illinois Hldgs
93p	39p	♦Corporate Data Sciences
13[illegible]	435p	Cullinet Sftwr $0.1
287p	34p	Dawson Oil 40c
23[illegible]	17[illegible]	Dana Corp. $1
33[illegible]	18[illegible]	Data General
24[illegible]	8[illegible]	♦Derma-Lock Medical
79	55[illegible]	Dun & Bradstreet $1
52[illegible]	42[illegible]	Eaton Corpn. 50c
25[illegible]	18[illegible]	FPL Group $0.01
13[illegible]	625p	Fairmont Fin.
23[illegible]	16[illegible]	First Chicago $5
42[illegible]	25[illegible]	Ford Motor $2
28[illegible]	20	GATX 62½c
54[illegible]	47[illegible]	Gen. Elect. $1¼
16[illegible]	612p	♦General Host Corp $1
37[illegible]	24	Gillette $1
15[illegible]	10	Gt Am First Svgs Bk $1
31[illegible]	23[illegible]	Gt. Western Fin. $1
25[illegible]	18[illegible]	Greyhound $1.50
20[illegible]	11[illegible]	Hasbro Inc $0.50
57[illegible]	42	Honeywell $1.50
28	22[illegible]	Hospital Corp Am $1
24[illegible]	19[illegible]	Houston Inds Incl
112[illegible]	83[illegible]	IBM Corpn $1.25
19[illegible]	12[illegible]	IC Industries
38[illegible]	25[illegible]	ITT Corpn. $1
314p	141p	♦Imatron Inc
46[illegible]	34[illegible]	Ingersoll-Rand $2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
[illegible]							
300	115	Cons. Murch. 10c	£1¾	......	Q60c	4.4	13.0
34	24	Essex Int. Ir10p	25	+1	—	—	—
144	70	Greenwich Res	122	−1	—	—	—
157	93	Hampton Areas 10p	148	+2	♦1.0	—	1.0
327	165	♦Highwood Res	243	+1	—	—	—
£20¼	£13½	Homestake Mining $1	£18¾	−1¼	Q20c	—	0.7
310	156	♦McFinley Red Lake	218	+7	—	—	—
285	144	♦Mosto Explorations	197	−6	—	—	—
51	28	♦New Sabina Res C$1	40	+4½	—	—	—
353	200	Northgate C$1	333	−10	—	—	—
790	513	RTZ	656xd	+8	22.0	2.4	4.7
£164	£115	Do. 9½pcLn'95-2000	£146¼xd	−2½	Q9½%	15.5	†7.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	......	Fin. 13% 97/02	£93¾	......
Craig & Rose £1	£14¼	−¼	Arnotts	260	......
Finlay Pkg. 5p	48	+1	CPI Hldgs	40	......
Holt (Jos) 25p	815	+5	Carroll Inds.	113	......
IoM Stm. £1	75	−1	Dublin Gas	30	......
			Hall (R. & H.)	79	......
IRISH			Heiton Hldgs.	29	......
Fund 11¼% 1988	£96½	......	Irish Ropes	110	......
Nat. 9¾% 84/89	£90⅝	......	Unidare	225	−15

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LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*"New time" dealings may take place from 9.00 am two business days earlier.

Gilts and equities close firmly despite early problems with market reporting systems

The UK stock markets came through the first day of the Big Bang era satisfactorily, despite problems in the equity sector caused by a temporary breakdown in the Topic system, which carries the price quotations from the Stock Exchange Automated Quotations network (SEAQ) on which the new-style electronic market depends.

The first two hours of equity trading were extremely confused because overloading of Topic prevented the electronic system from showing up-to-the-minute price quotations. Many of the new market makers in equities took refuge in restricting their price quotes to a mere 1,000 shares in Alpha stocks, and only 100 in some gamma issues.

But SEAQ was fully restored at 9.37 am, and traders recovered their confidence as the session progressed. Helped by firmness in gilt-edged, equities moved forward in moderate trading.

The FT-SE 100 Index, 14 points up at mid-session, closed a net 9.1 higher at 1586.2, while the FT Ordinary Index climbed 6.2 to 1257.8.

The problems with SEAQ boosted trade at **Smith New Court**, the former jobbing firm, which maintained a high profile on the stock market floor, unlike some of its rivals.

The Bank of England said it was "very satisfied" with the first day of trading in Government bonds under the new market system. Here again, SEAQ price reporting was scanty, but the trading houses operated very successfully by means of their Inter Dealer Broker screens.

Turnover was moderate but gilt-edged prices staged a strong turnround from early weakness. After showing early losses ranging from ⅜ of a point, the longer dates closed with gains of ⅜ or so.

Traders found difficulty in identifying the factors underlying the market's firmness amid the general excitement over the new trading environment.

Worries over domestic interest rates, as well as over the problems for the Thatcher Government following the resignation of the deputy chairman of the Conservative Party, were soothed by a steady performance by the pound.

Mercury up again

Merchant banking conglomerate **Mercury International**, which advanced 40 last week following Mr Paul Steinberg's surprise decision to seek greater control of the company by increasing his stake to more than 15 per cent, continued firmly closing a further 10 up at 370p. **Brown Shipley**, in which Kredietbank SA Luxembourgeoise holds a 25.5 per cent stake, rose 15 afresh at 573p, while improvements of 3 and 4 respectively were seen in **Goode Durrant and Murray**, 138p, and **Morgan Grenfell**, 385p. Elsewhere, **First National Finance Corporation** advanced 5 more to 176p after renewed speculative support and **Standard Chartered** closed 6 higher at 770p on revived takeover hopes.

Composite Insurances continued to trade firmly ahead of the forthcoming quarterly season. **GRE** added 8 at 837p and **General Accident** put on 7 at 841p. **Sun Alliance** put on 6 at 720p.

Blenheim Exhibition staged a sccessful debut in the Unlisted Securities Market; the shares, placed at 95p, opened at 145p but gradually eased back on profittaking to close at 117p, a first-day premium of 22.

Leading Breweries put on a decidedly firm performance reflecting often sizeable support ahead of the impending dividend season. **Allied-Lyons**, additionally buoyed by a bullish circular from brokers de Zoete and Bevan, touched 303p before settling a net 8 up at 301p with 1.2m shares traded. **Guiness** were lively and rose 6 to 314p as 2.7m shares were traded. **Whitbread A** firmed a similar amount to 264p, while **Scottish and Newcastle**, greatly enlivened by suggestions that New Zealand entrepreneur Ron Brierley has built up a non-disclosable holding, spurted 16½ to 206½p.

Leading Buildings closed with small irregular movements following a reasonable two-way business. **Blue Circle**, a firm market last week on Australian bid rumours, eased 9 to 619p in the absence of any developments. **Tarmac** hardened a few pence to 421p, as did **RMC**, at 623p. **Redland**, however, were a shade cheaper at 381p ahead of Thursday's half-timer, while **Costain** encountered sporadic offerings and shed 10 to 469p. Secondary issues continued to feature **Helical Bar**, up 17 more at 340p, after 348p, following further demand in a restricted market. **Phoenix Timber** hardened a couple of pence to 76p after the annual meeting, but "take profits" advice clipped a penny from **Gibbs and Dandy A** at 57p. Dealings in troubled construction group **F. J. C. Lilley** resumed following the interim statement; the price moved ahead from the suspension level of 24p to close at 31p on relief that the company's bankers will continue to provide existing loan facilities despite the group's major overseas problems.

Among Chemicals, **Laporte** found support at 392p, while **Coates Brothers** gained 8 to 158p ahead of Thursday's half-timer. **Reabrook** attracted revived speculative demand and put on 7 to 107p and **Blagden Industries** firmed 4 to 115p.

A rising market of late amid talk that Robert Holmes à Court was building a stake in the company, **Sears** were enlivened afresh by speculation that Mr Gerald Ronson was trying to form a consortium in order to launch a bid. The upshot was that over 7m Sears shares changed hands and the price touched 133p at one stage before closing a fraction dearer on balance at 131½p. Other leading retailers fared well with **Marks and Spencer** attracting a good deal of support—volume here amounted to around 2.1m shares—ahead of today's interim results and the close was 5 higher at 200p. **Dixons** put on 5 at 349p and **Next** hardened a penny or so at 250p; the latter's annual results are scheduled for tomorrow. Elsewhere, the volatile **Sumrie Clothes** closed 5 better at 36p in response to the interim profits recovery and **Allebone** reflected newspaper comment with an improvement of 2 at 55p. Speculative buying lifted **Alfred Preedy** 9 to 129p and **Cantors "A"** 4 to 128p.

A week-end Press report that substantial orders for its holographic technology are due t be announced in the wake of an institutional visit to the company last week buoyed **Applied Holographics** which advanced strongly to close 28 higher at 313p and the warrents 55 up at 275p. A revival of takeover speculative helped **United Scientific** rise 6 at 141p, while **United Leasing** gained 10 to 153p following Press comment. Specultive buying lifted **Molynx** 11 to 96p and **Microlease** 16 to 130p. **Klark-Teknik** reflected the lower profits with a fall of 6 to 67p and **Electrocomponents** fell 14 to 374p on persistent small selling and lack of support. **Cable and Wireless** highlighted the Electricals majors, rising 14 to 328p during the course of a good business when nearly 5m shares changed hands. Although **British Telecom** and **Plessey** were actively traded with around 6.5m shares transacted in both, the close was only a penny dearer at 185p and 177p respectively.

Hawker, a depressed market last week following the disappointing interim figures, staged a welcome rally and closed 9 better at 418p. Other leading issues were inclined easier in quiet trading. Elsewhere, interest was shown in **Glynwed**, which put on 9 to 289p, and **Davy Corporation**, 4 better at 139p. **G. M. Firth** were also favoured and closed 3½ higher at 73½p. Week-end Press mention prompted a rise of a few pence to 156p in **Braithwaite**. **Carclo**, which made an agreed bid for Jonas Woodhead last week, reacted 30 to 450p.

The Food sector recorded several noteworthy movements. **Northern Foods** figured prominently, rising 13 to 285p on rumours of a broker's circular and Press suggestions of a possible bid from Hillsdown Hilding. **Tate and Lyle** were also firm, at 556p, while **Rowntree Mackintosh** improved 7 to 400p. **Cadbury Schweppes** added 3 to 187p and **Unigate** 4 to 390p. Among Retailers, **J. Sainsbury** settled a penny cheaper at 395p as some 8.2m shares changed hands. **Tesco** firmed 6 to 416p awaiting tomorrow's interim results, while recently-dull **Dee Corporation** rallied strongly to close 10 higher at 211p. **Albert Fisher** gained 7 to 210p and **Argyll** added 3 to 311p. Elsewhere, **Park Foods** firmed 4 to 159p in reply to Press comment, while **J. E. England** gained 10 to 81p following renewed demand in a restricted market.

Trusthouse Forte traded briskly amid reports of Australian buying and closed 9 higher at 164p. **Grand Metropolitan** hardened 4 to 440p. Elsewhere in Hotels and Caterers, **Kennedy Brookers** advanced 16 to 253p in reply to the board's optimistic view of current trading prospects.

BBA fall afresh

The miscellaneous industrial sector recorded a number of outstanding movements. **BBA**, sharply lower in the previous trading session on a broker's downgraded profits forecast, met with renewed selling and closed 14 down at 129p following the announcement of rationalisation moves owing to the rapid decline in sales in the UK market for automotive components. **Pearson**, in contrast, featured a fresh gain of 16 at 571p on continuing speculaion that Hutchison Whampoa had increased its stakes in the company, but the lack of any takeover developments prompted a reaction of 10 to 507p in **Pilkington Hargreaves** ended 5 off at 265p following news that the board had recommended the Coalite offer. **Peek Holdings**, reflecting hopes of acquisition news, advanced 5 to 50p, while weekend Press mention enlivened interest in **Gestetner** which rose 7½ to 106½. **GEC** cotract hopes prompted a rise of 23 to 171p in USM quoted **Platon**. **Wolseley** traded firmly at 563p, up 12, awaiting today's preliminary statement. Suggestions of a consortium bid left **London and Northern** a few pence higher at 77p, after 80p. **Diploma**, in contract, were dull at 159p, down 9, while **Sterling Industries** reacter 15 further to 135p. Among the leaders, **Hanson Trust** were actively traded—5.8m shares changed hands—following a Press suggestion that it is poised to make yet another mega-bid, but closed little altered at 194½. **Beecham** edged up 4 to 419½. On the other hand, **Glaxo** drifted off to close 10 cheaper at 910p.

Television issues gave another bright performance. **Central TV** were boosted by publicity given to a broker's circular and rose 19 to 384p. **Thames TV** firmed 7 to 289p and **LWT** moved up 6 to 429p in sympathy.

The Property leaders gave a bright performance and were featured by **British Land** which spurted from an opening level of 160p to close a net 20 up at 180p following reports of a broker's favourable circular. **Land Securities** gained 6 to 333p, as did **MEPC**, to 346p. **Great Portland Estates** were finally 5 higher at 181p and **Hammerson A** improved a like amount to 418pxd. **Imry**, still awaiting news of bid talks, edged up 5 to 375p, while **Allied London** hardened a couple of pence to 72p in reply to the 21 per cent annual profits expansion and confident statement. **Southend Stadium** attracted fresh support ahead of tomorrow's interim results and closed 7 higher at 204p, while **Chesterfield**, half-timer due today, rose 10 to 440p.

British and Commonwealth continued to draw attention in the Shipping sector, rising 8 further to 314p, with investors pinning their hopes of expansion following the recent appointment of Mr John Gunn as chief executve. **Caledonia Investments**, which holds a sizeable stake in the group, rose 6 to 287p.

Oils trade quietly

Oils passed an uneventful session and, after fluctuating narrowly for most of the day, drifted easier reflecting the lower opening trend on Wall Street. **BP**, after early progress to 659p, slipped back to close 8 firmer on balance at 654p. **Shell** finished 4 off at 894p and **Britoil** softened a penny to 129p. Elsewhere, **IC Gas** firmed 6 to 574p awaiting further bid development, but **Courey Petroleum** gave up 15 to 263p in the absence of further buying interest. Press comment sparked support for **Aran Energy** which gained 10 to 26p.

South African mining markets staged a minor rally—the first for four trading sessions—largely reflecting currency influences. A slightly firmer showing by the Financial Rand against the dollar stimulated "cheap" buying from Johannesburg, which in turin prompted a sympathetic response from Swiss and other Continental sources. London and New York operators, however, again appeared content to remain on the sidelines, as worries over the current political situation in the Republic were exacerbated by reports of strike action by black workers at Gold Field's Deelkraal, Doornfontein and Kloof mines. Nevertheless, support proved to be sufficient to lift the FT Gold Mines index 6.7 to 269.6.

Bullion, sharply lower last Friday, gave further modest ground yesterday to close $1.25 off at $409.75 an ounce.

Australian Golds, in sharp contrast, displayed double-figure falls following overnight indications from Sydney and Melbourne markets and the poor performance of the domestic dollar. **Central Norseman**, 663p, and **Gold Mines of Kalgoorlie**, 633p, fell 20 and 15 respectively, while **Poseidon** closed 9 cheaper at 180p, and **Whim Creek** 10 off at 203p. With the exception of **Western Mining**, 6 down at 205p, leading resource stocks held close to pre-weekend positions. Profit-taking took its toll of last week's high-flier **Reunion Consolidated Goldfields**, finally 16 lower at 404p.

Tins, firmer throughout last week on consideration of the recent strength of the spot metal price, made fresh progress, although this was largely attributable to strong demand in Kuala Lumpur. **Malaysia Mining** advanced around 7 to 44p xd, while **Ayer Hitam**, 160p, and **Tronoh**, 105p, put on 20 and 15 respectively.

Traded Options

Relatively subdued conditions prevailed in Traded Options. **Hanson Trust** remained lively, however, with 1,835 calls transacted, while operators also displayed enthusiasm for **Cable and Wireless** calls, with 1,360 trades done. Total contracts struck amounted to 18,033.

Traditional Options

- First dealings Oct 20 Nov 3 Nov 17
- Last dealings Oct 31 Nov 14 Nov 28
- Last declaration Jan 22 Feb 5 Feb 19
- For Settlement Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Money was given for the call of **Amstrad**, **Kennedy Brookes**, **Reabrook**, **"The Times" Veneer**, **Abaco Investments**, **Cadbury Schweppes**, **Sears**, **Helical Bar**, **Gestetner**, **Ryan International**, **F. J. C. Lilley**, **Valor**, **Bristol Oil and Minerals**, **Saatchi and Saatchi**, **Polly Peck**, **Riley Leisure**, **Hillsdown**, **TSB**, **London International** and **F. H. Tomkins**. No puts were reported, but doubles were transacted in **Oil Search**, **Amstrad**, **Kennedy Brookes** and **Hughes Food**.

FINANCIAL TIMES STOCK INDICES

	Oct. 27	Oct. 24	Oct. 23	Oct. 22	Oct. 21	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.37	82.53	82.30	82.89	82.56	83.60	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.76	88.81	88.75	89.02	88.94	89.52	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,257.8	1,251.6	1,249.9	1,262.4	1,265.2	1,048.6	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	269.6	262.9	277.2	286.6	290.5	252.3	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.45	4.46	4.46	4.41	4.40	4.59				
Earnings Yld.% (full)	10.27	10.29	10.28	10.15	10.11	11.23				
P/E Ratio (net) (*)	11.93	11.90	11.93	12.08	12.12	10.99				
Equity Turnover £m.	—	735.68	654.97	616.10	531.51	441.57				
Equity Bargains	—	32,398	34,708	30,890	38,732	23,277				
Shares Traded (ml).	—	349.6	315.8	319.93	284.93	230.7				

S.E. ACTIVITY

Indices	Oct. 24	Oct. 23
Gilt Edged Bargains	91.3	113.9
Equity Bargains	209.9	224.9
Equity Value	1487.0	1323.9
5-Day Average		
Gilt Edged Bargains	108.3	112.4
Equity Bargains	234.5	256.2
Equity Value	1299.3	1334.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1255.7	1256.0	1258.3	1260.3	1261.9	1262.5	1258.3	1256.6

Day's High 1262.5. Day's Low 1256.0.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.46.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	75	18
Corporations, Dom., and Foreign Bonds	21	5	43
Industrials	637	436	451
Financial & Properties	264	102	212
Oils	31	28	53
Plantations	6	2	6
Mines	45	68	70
Others	80	40	82
Totals	1,104	756	935

NEW HIGHS AND LOWS FOR 1986

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday October 27 1986

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

NETHERLAND
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

FRANCE
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices October 27

[illegible]

MONTREAL
Closing prices October 27

[illegible]

Sales 2,790,773 shares

Indices

NEW YORK—DOW JONES
[illegible]

STANDARD AND POORS
[illegible]

N.Y.S.E. ALL COMMON
[illegible]

RISES AND FALLS
[illegible]

NYSE-Consolidated 1500 Actives
[illegible]

TORONTO
[illegible]

	Oct. 27	Oct. 24	Oct. 23	Oct. 22	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1349.4	1362.5	1367.1	1372.4	1372.8 (21/10)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	681.8	697.9	705.5	718.5	719.9 (21/10)	481.7 (20/5)
AUSTRIA Creditbk Aktien (30/12/84)	230.25	230.89	232.00	232.22	266.84 (25/4)	226.58 (6/5)
BELGIUM Brussel SE (1/1/84)	3856.64	3840.21	3818.66	3818.64	4054.33 (9/6)	2706.91 (15/1)
DENMARK Copenhagen SE (3/1/83)	198.88	198.72	198.55	198.44	250.70 (18/4)	189.28 (6/10)
FINLAND Unitas Genl. (1975)	397.6	399.8	404.8	405.5	417.7 (8/10)	258.5 (2/1)
FRANCE CAC General (31/12/82)	388.2	385.1	375.5	370.6	412.5 (1/8)	287.8 (2/1)
Ind Tendance (31/12/82)	144.7	148.2	144.7	142.7	155.0 (29/8)	101.8 (2/1)
GERMANY FAZ Aktien (31/12/58)	658.66	659.35	650.24	649.04	753.88 (17/4)	585.82 (22/7)
Commerzbank (1/12/53)	1972.5	1969.4	1939.5	1950.4	2278.8 (17/4)	1762.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2345.66	2286.07	2254.79	(c)	2345.66 (27/10)	1559.84 (19/5)
ITALY Banca Comm Ital. (1972)	765.86	769.76	770.49	770.89	808.20 (20/5)	454.67 (24/1)
JAPAN** Nikkei (18/5/49)	16157.8	16284.0	16306.5	16819.5	18858.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1345.94	1351.62	1362.05	1320.19	1585.85 (20/8)	1025.85 (21/1)
NETHERLANDS ANP-CBS General (1970)	275.2	272.7	269.8	270.9	301.0 (5/8)	240.4 (3/3)
ANP-CBS Indust (1970)	274.6	272.9	269.7	270.1	303.9 (19/8)	234.0 (3/3)
NORWAY Oslo SE (4/1/83)	388.92	388.87	389.21	389.69	402.81 (16/1)	331.61 (4/8)
SINGAPORE Straits Times (30/12/66)	927.20	901.74	894.44	895.12	927.20 (27/10)	585.54 (28/4)
SOUTH AFRICA *JSE Gold (28/9/78)*	—	1855.0	1863.0	1832.0	2067.0 (19/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1574.0	1576.0	1574.0	1592.0 (25/8)	1019.5 (2/1)
SPAIN Madrid SE (30/12/85)	186.81	191.68	191.88	192.28	280.79 (8/10)	100.85 (3/1)
SWEDEN Jacobson & P (31/12/56)	2527.54	2529.66	2515.77	2486.09	2820.62 (12/8)	1728.57 (29/1)
SWITZERLAND SwissBankCpn (31/12/58)	564.9	566.1	569.8	558.8	625.5 (8/1)	487.2 (4/8)
WORLD M.S. Capital Intl. (1/1/70)	—	329.9	335.8	331.7	350.8 (1/8)	248.8 (23/1)

** Saturday October 25: Japan Nikkei 16,163.8. TSE 1,343.64.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. *Toronto indices based 1975 and Montreal Portfolio 4/1/83.* † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

NYSE COMPOSITE CLOSING PRICES

Continued from Page 45

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Allied-Lyons	300	+ 7
Appleyard	188	+33
Applied Holo	318	+33
Aran Energy	26	+10
Brit & Commonw.	314	+ 8
British Land	179	+19
BP	653	+ 7
Cable & Wireless	327	+13
G. T. Mange	205	+20
Gestetner	107	+ 8
Hawker Siddeley	412	+ 7
Helical Bar	342	+19
Kennedy Brookes	254	+17
Marks & Spencer	200	+ 5
Mercury Intl.	388	+ 8
Northern Foods	285	+13
Pearson	572	+17
Platon Intl.	171	+23
Polly Peck Intl.	189	+ 6
Rover Group	37	+ 4
Scot & Newcas	205½	+15½
Trusthouse Forte	163½	+ 8½
United Leasing	153	+10

FALLS

BBA Group	129	−14
Conroy Petrol	263	−15
Electrocomp	374	−14
FR Group	292	−15
Klark-Teknik	67	− 6
Lucas Inds.	454	−24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14⅝	AAR s	.44	1.9	17	113	23½	23⅛	23⅛	−½
30	21¾	ADT	.92	3.6		78	27	25⅞	25⅞	−⅞
33	13¾	AFG s	.08i	.3	14	467	30⅛	29	29¼	−1⅛
25⅝	15⅝	AGS			14	329	21⅜	21	21⅛	+⅜
15	8½	AMCA				17	8¾	8⅝	8¾	+¼
62⅞	38	AMR			14	5620	58¾	58⅛	58⅝	−⅛
27½	23¼	ANR pf2.67		10.		1	26⅛	26⅛	26⅛	+⅛
24	19⅝	ANR pf2.12		9.0		203	23⅝	23⅝	23⅝	+½
13⅝	9¾	APL			6	26	12½	12¼	12¼	
16¾	10	ARX	.71t	6.2	11	12	11⅜	10⅞	11⅜	+¼
41½	28¾	ASA	2a	5.6		1561	36⅞	35⅝	35⅝	
18⅝	9¾	AVX		3.0		142	10½	10	10½	+¼
32	23⅞	AZP	2.72	9.2	8	1042	29½	29¼	29½	
55	28	AbtLb s	.84	1.9	19	2615	44⅝	43¼	44	−¼
32	22½	AccoWd	.56	2.2	16	49	25¾	25½	25⅝	+⅛
14⅞	9	AcmeC	.40	3.6		x70	11⅛	11	11	−⅛
9¼	6¼	AcmeE	.32b	5.0	16	20	6⅜	6⅜	6⅜	
22⅜	17¼	AdaEx	1.90e	8.8		148	21⅝	21⅜	21⅝	+⅜
33⅝	18¼	AdmMl	.40	1.6	12	32	25	24⅞	24⅞	
20⅝	12⅛	AdvSys	1.45t	10.	13	276	14⅜	13⅞	14⅜	+⅛
32⅞	12⅞	AMD				679	14⅜	14	14⅜	
12⅝	5⅜	Adobe n				33	5¾	5⅝	5⅝	−⅛
18⅝	13¾	Adob pf	1.84	12.		25	15	15	15	−⅛
20¼	15¼	Adob pf	2.40	13.		4	18	18	18	
18⅝	7¾	Advest	.12a	.9	10	251	13⅛	12⅞	13⅛	+⅛
66¼	47¼	AetnLf	2.64	4.6	9	1263	57	56	57	+⅜
56⅝	51½	AetL pf	4.69e	8.8		42	53⅛	52⅞	53⅛	+⅝
28¾	11⅝	Ahmns	.48	2.2	7	3001	21¼	20½	21⅛	+½
5¾	2⅝	Aileen			43	42	3⅛	3	3	
[illegible]										

Kidder, Peabody Securities
Limited

Market Makers in Euro-Securities

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Kidder, Peabody & Co.
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NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
57½	29¾	Waste s .56		1.0	28	1980	56¾	55	55½	
42½	24¼	WatkJn .40		1.1	16	401	36½	34¼	36½	+2
28½	8¾	WayGo.20		.8	35	28	24¼	23¾	24	+⅛
5⅝	2	WeanU				27	2⅝	2⅝	2⅝	+⅛
28¼	17¼	WebbD .20		.8	11	132	24¾	24	24¾	+½
11¾	3⅝	Wedtch			4	1741	5	4⅝	4¾	+½
25	19	WeingRl.56		7.5	17	402	21⅛	20⅞	20⅞	−⅜
42	33⅛	WeisMk.54		1.5	16	58	36⅝	36⅛	36⅝	
115	54¾	WellsF 3.12		3.0	11	272	106	105¼	105½	−½
52⅞	46	WelF pf3.38e		6.6		1809	51	50½	50⅞	+⅛
50½	44	WelF pf1.72e		3.4		x130	50	49½	50	+¼

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Dissuaded by auctions and dollar

PICKING up from a listless morning, stock and bond prices drifted higher on Wall Street yesterday afternoon in a trendless session, *writes Roderick Oram in New York.*

A number of questions ranging from the direction of the dollar and the effect of heavy forthcoming Treasury auctions kept trading to a minimum in the bond markets.

The Dow Jones industrial average rose 9.56 points to 1,841.82 but the gain was heavily influenced by Goodyear which jumped $4¼ to $48¼ on takeover speculation. Almost 13m shares, representing nearly 12 per cent of its common stock changed hands on the New York Stock Exchange yesterday.

The NYSE composite index rose 0.3 of a point to 137.58 with trading volume eased to 133.77m shares from 138.56m on Friday. Advancing issues outnumbered declining by 790 to 736.

Among blue chips, IBM advanced $¾ to $122⅛, Alcoa gained $¼ to $35¾. American Express gained $1⅞ to $58⅜, Du Pont rose $⅝ to $81¾, General Electric fell $⅝ to $75½ and Sears Roebuck eased $⅛ to $42⅜.

Oil companies continued to report poor performance. Occidental Petroleum slipped $¼ to $29. Its quarterly profits plunged to 12 cents a share from $3.37 after special items a year earlier. Among other oil companies, Exxon was up $¼ to $66¼ after a modest increase in profits, Mobil was off $½ to $36½, Texaco down $½ to $35¾ and Chevron rose $½ to $42¾.

Texas Air gained $¼ to $35⅛ after it reported third quarter profits of $3.34 a share against $2.85. When it completes acquisitions of Eastern and People Express it will carry 25 per cent of domestic airline traffic.

Among companies reporting higher third-quarter profits, Textron was up $1 to $60⅛, Union Carbide gained $⅛ to $22, Allegheny Corporation rose $⅜ to $102½. Asarco was unchanged at $14⅜ and A.H. Robbins rose $⅝ to $8¾.

Texas Instruments fell $2¼ to $111¼. Although it reported a return to profits in the third quarter, the performance was below market expectations.

Elsewhere in the semiconductor industry, Schlumberger eased $¼ to $31⅞. It said last week that Fujitsu of Japan plans to take an 80 per cent stake in its Fairchild subsidiary.

On the takeover front, the high interest in Goodyear over recent weeks intensified following its announcement late on Friday that it was studying restructuring proposals aimed at heading off any takeover attempt. Sir James Goldsmith, the Franco-British financier who has been seen as a potential Goodyear raider, was unavailable for comment.

Gelco, the transportation leasing group, eased $⅜ to $24½. Coniston Partners said it had lined up finance for its previously announced $26 a share bid.

Allied Stores eased $⅛ to $66. It is fighting in court to prevent Campeau finalising stock transactions which would give it control.

Trading was light in credit markets as prices rose steadily during the day. The 7.25 per cent benchmark Treasury bond due 2016 gained ⅝ of a point to 94²¹⁄₃₂ yielding 7.70 per cent.

Three-month Treasury bills fell 9 basis points to 5.18 per cent, six-month bills were down 7 basis points and year bills eased 2 basis points to 5.45 per cent.

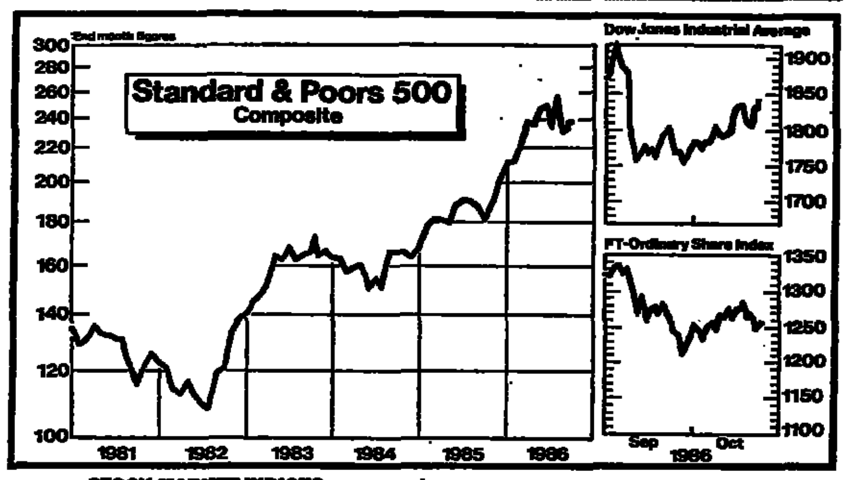
Investors have a number of issues on their minds. Today the Treasury will auction $7bn of seven-year notes postponed from last month because of the protracted negotiations to raise the Government's debt ceiling. A recent pick-up in foreign demand, particularly Japanese, for US government securities augurs well.

The auction's outcome may indicate what sort of reception the Treasury's quarterly refunding will face. Details will be released tomorrow but a near record volume is expected.

The dollar's tone remains a key influence on the auctions and the market as a whole. There is considerable scepticism on Wall Street that it can maintain the sudden strength it found late last week. Economic fundamentals do not yet justify sustained firmness.

The main economic figure for release this week is the September merchandise trade deficit. Economists believe it might increase slightly from August's $13.3bn but within the overall figure there might be signs that the US trade performance is improving as August's decline from July indicated.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 27	Previous	Year ago
NEW YORK			
DJ Industrials	1,841.82	1,832.26	1,356.52
DJ Transport	827.63	825.0	649.58
DJ Utilities	203.65	202.27	159.16
S&P Composite	238.77	238.26	187.52
LONDON			
FT Ord	1,257.8	1,251.6	1,048.6
FT-SE 100	1,588.2	1,577.1	1,347.8
FT-A All-share	787.88	783.44	672.51
FT-A 500	857.72	853.68	738.21
FT Gold mines	269.6	262.9	252.3
FT-A Long gilt	10.55	10.51	10.25
TOKYO			
Nikkei	16,157.80	16,284.0	12,855.0
Tokyo SE	1,345.94	1,351.82	1,016.34
AUSTRALIA			
All Ord.	1,349.4	1,362.3	1,052.2
Metals & Mins.	681.8	697.9	528.5
AUSTRIA			
Credit Aktien	230.23	230.89	197.36
BELGIUM			
Belgian SE	3,856.64	3,840.21	2,768.12
CANADA			
Toronto			
Metals & Minls	2,111.90	2,112.69	1,746.0
Composite	3,009.7	3,007.1	2,632.8
Montreal			
Portfolio	527.20	1,527.2	126.06
DENMARK			
SE	198.09	198.72	239.25
FRANCE			
CAC Gen	380.20	383.1	217.2
Ind. Tendance	144.70	146.2	79.1
WEST GERMANY			
FAZ-Aktien	659.60	659.35	577.21
Commerzbank	1,972.30	1,968.4	1,705.2
HONG KONG			
Hang Seng	2,343.66	2,286.07	1,571.73
ITALY			
Banca Comm.	765.86	769.70	398.14
NETHERLANDS			
ANP-CBS Gen	273.20	272.7	224.0
ANP-CBS Ind	274.60	272.9	203.0
NORWAY			
Oslo SE	369.62	368.67	381.38
SINGAPORE			
Straits Times	927.20	901.74	785.02
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,835.0	1,094.9
JSE Industrials	—	1,374.0	950.6
SPAIN			
Madrid SE	188.61	191.68	93.02
SWEDEN			
J & P	2,527.54	2,529.05	1,439.00
SWITZERLAND			
Swiss Bank Ind	564.80	566.1	508.1
WORLD	Oct 24	Previous	Year ago
MS Capital Int'l	329.90	335.0	228.5

COMMODITIES

(London)	Oct 27	Prev
Silver (spot fixing)	400.35p	397.1 p
Copper (cash)	£932.00	£931.25
Coffee (Nov)	£2,386.50	£2,347.50
Oil (Brent blend)	$13.55	$13.85

GOLD (per ounce)

	Oct 27	Prev
London	$409.75	$411.00
Zürich	$409.25	$411.75
Paris (fixing)	$403.15	$410.67
Luxembourg	$410.40	$413.00
New York (Dec)	$409.30	$409.70

CURRENCIES

	US DOLLAR		STERLING	
(London)	Oct 27	Previous	Oct 27	Previous
$	—	—	1.4070	1.4130
DM	2.0485	2.0320	2.88	2.87
Yen	160.70	161.35	226.00	228.00
FFr	6.6875	6.6425	9.41	9.385
SFr	1.6925	1.6730	2.3825	2.365
Guilder	2.3135	2.2955	3.255	3.245
Lira	1,420	1,402.125	1,991.00	1,981.00
BFr	42.45	42.25	59.75	59.7
C$	1.3925	1.3880	1.9525	1.96

INTEREST RATES

	Oct 27	Prev
Euro-currencies (3-month offered rate)		
£	11⅝	11⅞
SFr	4⅞	4¼
DM	4⅜	4⅝
FFr	8	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5⅞*	5⅞
US 3-month CDs	5.70*	5.675
US 3-month T-bills	5.19*	5.42

US BONDS

Treasury	October 23* Price	Yield	Prev Price	Yield
6⅝ 1988	100⁵⁄₁₆	6.31	100⁷⁄₁₆	6.30
7¼ 1993	100⅛	7.21	99⅞	7.21
7⅜ 1996	99⅞	7.40	99⅞	7.425
7¼ 2016	94⅝	7.71	94⅝	7.72

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Oct 27* Day's change	Yield	Day's change
1–30	156.66	+0.39	7.09	−0.03
1–10	150.14	+0.27	6.75	−0.03
1–3	140.91	+0.15	6.32	−0.02
3–5	152.99	+0.31	6.89	−0.04
15–30	181.03	+0.62	8.22	−0.04

Source: Merrill Lynch

Corporate	October 27* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.128	6.30	92.158	6.30
SCBT South Central				
10⅞ Jan 1993	107.25	9.343	107⅝	9.369
Phibro-Sal				
8 April 1996	98.375	8.25	98⅝	8.25
TRW				
8⅞ March 1996	102.125	8.414	102	8.433
Arco				
9⅞ March 2016	105.5	9.322	105	9.370
General Motors				
8⅞ April 2016	90	9.106	89⅞	9.133
Citicorp				
9⅞ March 2016	97	9.682	96⅝	9.696

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	96-05	96-11	95-19	95-29
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.82	94.83	94.74	94.78
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	93.78
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.01	94.01	93.96	94.01
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110-07	110-07	109-04	109-24

* Latest available figures

TOKYO

Uncertainty leads to cautious tone

UNCERTAINTY in the Tokyo market spread and share prices dipped for the third day running in extremely thin trading, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital steels, shipbuildings and utilities strengthened despite continued caution by securities house dealers since trading for delivery this month ends on Tuesday.

The Nikkei average finished 6 points lower at 16,157.80. Volume fell sharply from 615m shares to only 184m, the second lowest this year. Gains outpaced losses by 397 to 339, with 173 issues unchanged.

Last Thursday, blue chips soared across a broad front on buying by investment trusts, which was prompted by the sudden weakening of the yen. But the enthusiasm waned the next day, with investors apparently thinking further purchases were risky in view of the deteriorating performance of many blue-chip stocks, particularly light electricals.

Domestic demand-related issues, steels and shipbuildings gained ground for the first time in many sessions, but institutional investors showed little buying interest. Trading in Nippon Kokan, top of the active list, came to only 10.45m shares, less than one-twenthith of its peak last summer. The steelmaker rose Y4 to Y192.

Tokyo Gas, second most active with 10.15m shares, advanced Y23 to Y820, and Ishikawajima-Harima Heavy Industries came third with 10.06m shares, gained Y17 to Y387. These three issues were the only stocks with a turnover of more than 10m shares.

Mitsubishi Heavy Industries and Kawasaki Steel added Y19 to Y425 and Y9 to Y172, respectively, while Tokyo Electric Power, which opened lower, closed Y200 higher at Y6,550.

Selling mounted for blue chips in the absence of investment trusts. Fujitsu lost Y20 to Y1,100, Hitachi Y10 to Y980, and Matsushita Electric Industrial Y30 lower to Y1,800. Canon also shed Y20 to Y1,120.

An official at a leading brokerage house said a full recovery of the market hinged on a large-capital stocks. Institutional investors increased their holdings of such issues by a massive Y1,800bn in June-August and have since suffered an evaluation loss of around 30 per cent or Y540bn. Unless the large-capitals pick up, the damage to institutional investors could remain, hampering a market recovery.

The bellwether 6.2 per cent government bond maturing in July 1995 remained under selling pressure, with the yield rising from 5.190 per cent to 5.275 per cent. Most dealers wanted to wait for the Finance Ministry's proposal, expected on Tuesday, of the issue terms for the November long-term government bonds before entering the market in force.

SINGAPORE

STRONG buying by local and foreign institutions took Singapore blue chips up and the Straits Times industrial index climbed 25.46 to 927.20, its highest since mid 1984.

News that Central Provident Fund (CPF) members are to be allowed to double the amount of their CPF invested in shares and gold spurred activity. Some Malaysian shares, also found favour after Friday's budget, which was milder than expected.

Government forecasts of GDP growing between 1 per cent and 2 per cent this year added to the confidence.

EUROPE

Distracted by upheaval in London

ALL EYES in Europe were fixed on the financial services upheaval in London and trading volume on the Continent remained low.

Frankfurt derived some benefit from the stronger dollar, which aids German exporters, although buying enthusiasm was diluted by the close of trading. The midsession calculation of the Commerzbank index showed a 3.9 point rise to 1,972.3. Most institutions remained on the sidelines.

Chemicals held firm but many other blue chips surrendered early strength. BASF added DM 2 to DM 276.50 on the hopes of higher earnings supported by a healthier dollar rate while Bayer, which revealed that it had bought a Berlin chemical metallurgy group, eased 30 pfg to DM 291.00.

Banks were vulnerable to the continued problems associated with the Neue Heimat building group. Deutsche Bank was DM 6.050 down at DM 769.50 as Dresdner shed DM 4.50 to DM 381.50.

Insurer Allianz dropped DM 20 to DM 2,160 on the first day of its one-for-four rights issue for its profit participation certificates.

Daimler shed DM 9 to DM 1,221 despite its solid nine-month turnover figures.

A lack of support in the bond market drove prices down by almost 1¼ points on fears that a stronger dollar rate would hamper the prospects of a cut in West German interest rates.

The Bundesbank market balancing operation amounted to purchases of DM 68.4m of paper compared with Friday's purchase of DM 29.2m. The average yield on public authority paper jumped 8 basis points to 6.07 per cent.

Paris slipped in late trading partly influenced by the rise in the call money rate by ¼ point to 7¼ per cent.

The Government announcement of plans to raise income tax allowances for share dividends next year had no effect on the market according to dealers.

Holding early gains were Air Liquide, up FFr 27 at FFr 778 and Agence Havas which hit a 1986 peak of FFr 1,770.

Brussels managed a higher close in thin cautious trading ahead of today's parliamentary vote on the Government's language dispute.

The Belgian Stock Exchange index rose 16.43 at 3,856.64.

Société Générale de Belgique, the most active, rose BFr 40 to BFr 3,010 while Solvay, benefiting from recent strong earnings forecasts, was relatively active and gained BFr 60 to BFr 7,970.

Milan was mixed in active trading with Montedison, up L105 at L2,935, and Mediobanca, L200 higher at L67,500 among the few advances.

Fiat staged an early rally but closed L10 down at L15,730 after its huge bid for Alfa-Romeo.

Zurich was narrowly mixed with blue chips generally lower. Insurer Winterthur edged SFr 25 up to SFr 6,850 while UBS in banks picked up SFr 5 to SFr 5,800.

Stockholm staged a lacklustre performance as institutional investors kept to the sidelines partly in response to the continuing public sector strike.

Amsterdam closed mixed with many investors transfixed by the events in London. Fokker was one of the best features with a Fl 6.50 advance to Fl 64.50 on reports that it had sold up to 100 aircraft to a new leasing company involving Guinness Peat Aviation.

Madrid was sharply lower with constructions leading the decline. Telefonica, in an active communications sector, dropped 4.50 points to 173 per cent of nominal value as it revealed that its plans to join the CGE telecommunications joint venture may be scrapped.

CANADA

THIN mixed trading continued in Toronto. Oils, industrials and metals and mines turned lower against slight gains by golds and utilities.

Active industrials were mixed, with International Thomson easing C$¼ to trade at C$12⅞ and Canadian Pacific adding C$⅜ to C$15¼.

Among situation stocks, Campeau held unchanged at C$26.

Montreal also drifted lower.

AUSTRALIA

A FALL in the price of gold depressed sentiment in the Sydney market and triggered profit-taking. The All Ordinaries index closed down 14.3 at 1,348.6.

Turnover amounted to 103m shares worth A$184.19m, with heavy trading in both BHP and Hanimex. Hanimex rose 23 cents to close at a year's high of A$1.15. Earlier, Western Continental told the Perth stock exchange it had built up a 19.7 per cent holding in Hanimex.

LONDON

Modest gain on first day of Big Bang

THE FIRST day of the Big Bang in London, as deregulation has come to be known, saw equities move forward in moderate trading after initial confusion in the market.

The FT ordinary index climbed 5.0 to 1256.6, while the more broadly-based FT-SE 100 index gained 9.1 at 1586.2.

Worries over domestic interest rates, as well as over the likely problems for the Thatcher Government of the resignation of the deputy chairman of the Conservative Party, were soothed by a steady performance by sterling.

Gilts showed early losses ranging to ⅜ of a point, but the longer dates closed with gains of ⅜ or so in a strong turnround.

Chief price changes, Page 43; Details, Page 39; Share information service, Pages 37, 38

HONG KONG

INSTITUTIONAL demand from the US dominated the Hong Kong market, with Japanese support also evident. The Hang Seng index jumped 57.59 to 2,343.66, a record high.

Optimism was encouraged by the latest trade data, which showed sharp rises in Hong Kong's domestic exports and a large trade surplus in September.

HK Bank was the most active, rising 20 cents to HK$8.30, a 1986 peak. Properties gained as Cheung Kong hit a 12-month high of HK$34, with a HK$1 rise and HK Land rose 5 cents to HK$6.30.

SOUTH AFRICA

PRESSURE from a combination of factors took gold shares in Johannesburg sharply lower. Foreign selling, a strong recovery in the financial rand and a weak bullion price conspired to turn the recent lack of direction into a clear downward trend. Other minings and financials, as well as industrials, followed suit.

Vaal Reefs lost R15 to close to R365, but most prices were off their day's lows. Gold Fields eased R2 to R54.